

INDIAN SOCIALISM

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by

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PREFACE

THE book will bring me little credit in socialist circles. But the duty of a teacher of economics is clear. He must state the relevant facts and the conclusions which the facts suggest.

It is hoped that the book will provoke a discussion. A discussion is helpful in clarifying issues, and 'Indian socialism' is a highly controversial subject.

I am indebted to the Editor, *Contemporary India* and the Editor, *Tribune* for permission to use articles which I wrote for them.

NICHOLSON ROAD, LAHORE
14th December, 1936

BRIJ NARAIN

* 'Marxism and Marginal Utility' in *Contemporary India*, 2nd Quarter 1935. 'Socialists and the Money lender' and 'Class-Struggle versus Struggle for Existence' in the *Tribune* of Nov. 26 and Dec. 2 and 10, 1935.

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LRRATUM

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read *fract* for *cost*

ARGUMENT

EXPLOITATION in the Marxian system has Chapter I
a technical meaning. The employer forces the labourer to overstep the bounds of necessary labour-time and thus surplus value arises as unpaid labour.

From this account of surplus value it follows that businesses which employ more human labour should show more profit, for according to Marx, human labour alone creates surplus value. As Marx himself said, if a capital consisting of the percentages $90c + 10v$ produced the same amount of surplus value or profit as a capital consisting of the percentages $10c + 90v$, then it would be clear as day light that surplus value and, therefore, value arise from a source other than labour. Constant capital consumed is c , variable capital, or the wages paid v , and it is assumed that the degree of exploitation of labour is the same in the two cases.

Actually it is found that the rate of profit made by different firms tends to be the same in spite of different compositions of capital.

Marx explains "The Great Contradiction" by saying that in the beginning rates of profit ruling in the various branches of industry are different. Firms or industries which employ more variable capital do

make more profit, but they are unable to retain it on account of competition. The rate of profit thus tends to be the same in spite of different compositions of capital.

But as between different countries there is no equalisation of profits. Given the same degree of exploitation of labour in India and England (say 100 per cent), if the composition of our capital is 100+50%, and that of English capital 80+16%, our rate of surplus value and profit should be 60 per cent as compared with England's 16 per cent.

"That is particularly important," said Marx, "when international rates of profit are compared with one another."

A comparison of factory conditions in India and England about 1880 shows that the degree of exploitation of labour in India was much higher.

Given a lower organic composition of our capital, it follows that the rate of profit in India in those days was at least two or three times as high as in England.

But this is thoroughly absurd. We have a great deal of evidence to show that industrial profits in India under free trade were insecure. With the exception of jute, a monopoly, Indian manufacturing industries failed to attract British capital. There was no lack of capital in India, but Indian capital was 'shy' and avoided manufacturing enterprises generally. Under free trade, as the Indian Fiscal Commission put it, the development of the

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country in every direction was "retarded by insufficiency of capital"

It is not possible to reconcile these facts with the Marxian theory

Profits were not high or certain under free trade as prices were determined by British competition. Imports of cotton piece goods exceeded home production in the proportion of 4 to 1. Profits depend upon prices at which goods are sold, not on the number of labourers whose labour-power is embodied in the goods.

The inability of the exploitation theory to explain the facts suggests that Marx's fundamental assumptions are wrong. The labour theory explains little or nothing.

No equality can be established, as Marx attempted to do, between the labour embodied in a unit of currency and what it purchases. Not even the semblance of any such equality exists under the sterling exchange standard, for the gold value of the rupee has much varied during the past five years.

Marx's conception of 'value' is that of 'normal' price around which market prices fluctuate. There is good deal in common between Marx and Marshall, for Marshall also taught that, under certain conditions, the money measure of costs corresponds to real costs. But what that means is not easy to understand.

Marx applied the conception of cost of production to labour power itself—the worker's daily subsistence constitutes the

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standard for his daily wages Indian experience, however, suggests that for long periods wages may be below the subsistence level. It would be a humane law which guaranteed his subsistence to the human worker. No worker enjoys any such guarantee. But under favourable conditions wages may be sufficient to maintain a comfortable standard of living. Cost of production of labour power has no definite connotation.

Marx's system is chiefly concerned with Chapter II the economics of a highly developed industrial country, where the worker has lost control over the instruments of production. Our economy is fundamentally different from that of an industrial country like England. Factory workers form less than one per cent of the total population, and self employers far out number wage earners.

The largest single class of agricultural workers in the Punjab is that of the peasant proprietor. The peasant proprietor works for no master, but lives perilously near the margin of starvation, if not actually below it. Who exploits the peasant proprietor?

The socialist immediately answers the capitalist, i.e., the money lender. Socialists in the Punjab and other Provinces have violently attacked the money-lender, and demanded the total cancellation of agricultural debts.

But all interest cannot be condemned as exploitation. While interest is reckoned

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as a percentage on the money lent, it is really a payment for the use of capital goods. Money is turned into capital when it is used productively.

The cultivator cannot dispense with capital. He will need finance even in a socialist regime. The state will lend him machines and make advances in other forms. The cultivator will have to pay for the use of capital, for if no charge were made, used-up capital could not be replaced, and it would not be possible to develop, extend and improve production. From the point of view of the peasant, however, there is no difference at all, except when the money lender charges exorbitant rates of interest.

Money lenders' stipulated rates are different from realised rates. The evidence collected by the Indian Central and Provincial Banking Enquiry Committees shows that the net return to the money lender is about equal to the rates of interest charged by co-operative credit societies. If the money lender exploits the cultivator, so do co-operative credit societies, and this exploitation will continue in the socialist regime. It is not inconceivable that the rate of interest under socialism in the beginning may be higher than at present, owing to the necessity of building up capital resources. But this is no exploitation at all.

Cancellation of debts would destroy money lending. Who is to take the place

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of the money-lender ? The socialist cannot say 'I do not care' The peasant must obtain credit, and cooperative credit societies are not able to meet all his requirements In the whole of India they finance, on an average, perhaps five per cent of the cultivators

There is no reason why the whole cost of debt relief should be thrown on the money lender Abundant justification exists for a demand for State relief of indebtedness

The State has a special responsibility in India in this connection, for land taxation is a direct cause of debt This is illustrated by the 'touching' story of a Punjab peasant who had to pay 7 rupees as land revenue and 'insisted' on honouring his debt by selling a small ornament which his child was wearing at the time the demand was made by Government revenue officials India has exported 290 crores worth of gold since 21st September, 1931 A part of this gold was distress gold, sold by peasants to meet Government dues Cooperative credit societies regularly lend money every year for the payment of the land revenue, and in certain years loans made by these societies for this purpose have, in certain Districts of the Punjab, exceeded one third of the total sum lent for all purposes

Over large parts of the country the fall of prices has made cultivation unprofitable But the fall of prices seems to have left

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the peasant's revenue paying capacity unaffected ' 1

In the Punjab, Government dues (land revenue and water-rates) form about half of the total cost of cultivation. Agricultural costs are inelastic because of the high level of land-taxes and the rigidity with which they are realized.

New principles of assessment have been introduced in the Punjab, which will be copied in other provinces. The sliding-scale system of assessment is a fraud. Under this system the rate of assessment is based on assumed commutation prices which are higher than actual prices, but remissions are granted every year according to the difference between commutation and actual prices (other things being equal). But costs of cultivation do not fall in the same proportion as prices. The new principles of assessment totally ignore the behaviour of costs when prices are varying. It is mathematically certain that, under the new system, the land revenue will exceed one quarter net assets, and that in many cases it will, allowing for remissions according to the fall of prices, absorb the whole of net assets where net assets exist.

Socialist fury is directed against the money lender because of the socialists' faith in class-war as the means of establishing a socialist State. We, therefore, proceed to examine the role of class-struggle in the Marxian system. Chapter III

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Class struggle is a product of dialectical materialism. What is dialectical materialism ?

Dialectic is a method of reasoning Engels distinguished Marxian dialectic on the one hand from the method of the natural sciences, and on the other from metaphysical reasoning. The Marxist regards things and events as real and as part of a world whole. When dialectic is applied to history, we see in the march of events "the development process of humanity," and we seek to discover the laws of change. The idea of class struggle as the dominating force in history was suggested to Marx by the worker's rising at Lyon in 1831 and subsequent labour agitation resulting in the Chartist rising in England. The warring classes of society are the outcome of economic conditions, or the mode of economic production, which is the real foundation on which rests the whole superstructure of legal and political institutions, and which is also at the root of religious, philosophical and other conceptions of every historical epoch.

It is emphatically not true that the whole of history is the history of class struggles. There are also other forces at work. The principle of struggle for existence is of much wider application than that of class-struggle. Evolution is the theory of the development processes not only of humanity, but of all living and non-living things. We have thus two materi-

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alistic dialectics, of Marx and Darwin
Which of the two is more worthy of acceptance?

There are many facts of history, e g ,
war and conquest, which are explained by
the struggle for existence, but not by class-
struggle

Further, the struggle for existence
among nations, which has grown more
bitter than ever before, indicates the need
for class unity. Particularly for a dependent
country struggling to become free, class
war is the path of eternal serfdom--and
annihilation

Even if the whole world turned
socialist, and, what is impossible, a class-
less world society came into being, the
struggle for existence would continue.
The growth of numbers in different coun-
tries can never be equalised, and unequal
rates of growth must give rise to the
struggle for existence, even if it could be
temporarily suppressed

The attitude of Marx and Engels to-
wards the struggle for existence was
critical. Engels vehemently protested against
the transference of theories from organic
nature to history. "The view of past
history as merely a series of class
struggles," he wrote, "suffices to show
the conception of the same history as a
weak variation of the struggle for exis-
tence in all its shallowness." He viewed
the struggle for existence and class strug-

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gle as two independent principles with two independent spheres of operation

But in this Engels was clearly mistaken. Man is a part of organic nature, and is therefore, not immune from the struggle for existence. And the whole process of the struggle for existence and natural selection, in the case of man, as in that of lower animals, is unintelligent and heartlessly cruel.

That there is a conflict of class interests within a society cannot be denied. But it is the duty of the State to harmonize conflicting interests.

There would be little objection to class-war if India were a free country, and isolated from the rest of the world. But the struggle for existence and the necessities of the political situation demand a different course of action.

The chief content of swaraj is economic. There is a conflict of economic interests between India and Britain, shown by the economic policy of the Government during the past 75 years, and particularly by the inclusion of 'safeguards' expressly designed in British interests, in the new constitution. The struggle for swaraj is not merely the struggle of Indian labour against British capital. The loss of India would impoverish both British capital and labour, just as both Indian labour and capital stand to gain by swaraj. Our struggle is no class struggle, but a national struggle for existence. And in a national

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struggle for existence, victory belongs to a united people with the Will to Survive, not to a people fighting among themselves

The object of class war is to produce Chapter IV
a class less society Is the ideal of a class less society realisable?

A communist society is a real classless society, for in such a society there are no differences in individual incomes or wealth Individual incomes and wealth cease to have a meaning where all goods are owned in common and where every one labours according to his faculties and consumes according to his needs

The communist ideal is consistent with the highest forms of religious idealism

Real communist societies have existed in the past The Amana Society, founded in 1714 in the State of Iowa (United States of America) is an example "Their State was not conceived as ideal in an economic sense, but as a State in which no importance was attached to economic or worldly matters" (Diehl) This is communism deriving its inspiration from religion The members concentrate on Heavenly rewards, and deliberately limit their physical needs

Economic communism is different There is no indifference to material goods or comfort, but still there is consumption according to needs How is that possible?

We assume that there is super abundance of all goods, and therefore everyone

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may take from the common store what he needs Will not some be tempted to take more ? The communist answers "Certainly not " He idealises human nature

There is no equality of incomes or wealth in Soviet Russia The standard of payment is piece-work rates, which are in some cases even progressive This means that the incentive of private monetary gain is more fully exploited in Russia to increase the productivity of labour than in capitalist countries Except by sophistry, it is impossible to reconcile such systems of wage payment with the communist slogan "from each according to his faculties and to each according to his needs' Consumption is not according to needs when it is determined by unequal incomes Piece work rates are based not on the needs of the wage earner, but his value to the employer

There is a frank, straight forward and unsophisticated account of distribution in a communist society by Engels in *Anti-Duehring* Herr Duehring had gone far enough, but his 'socialitarian' system still fell short of the communist ideal Herr Duehring admits 'the equal right to consume' corresponding to 'the equal obligation to produce' Wages are 'necessarily the same for all', with the exception that extra effort is rewarded with special recognition and honour But Herr Duehring permits inheritance, and money is used

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in his commune. Hoarded wealth, however, is not used to earn an income, since all means of production are owned by society. Further, money is merely a token, expressing Marxian 'value' in the form of prices.

Engels, however, accepts no compromise in regard to money or exchange. A communist society has no use for the 'value' form of products. "To seek to abolish the capitalist form of production by establishing 'true value' is therefore equivalent to attempting to abolish Catholicism by establishing 'the true' Pope." Money, exchange and commodities go together. Money drags goods into exchange. Money and the commodity form "dissolve the community into a mass of private producers" (Engels). If, in addition, there is hoarding and inheritance, there is still less reason to talk of a communist society.

Soviet Russia made an attempt to realise the true communist ideal in 1918-21, when workers were losing interest in money wages, and money was losing its function. But the great experiment failed, as it was bound to fail.

Economic communism can never succeed. The ideal of a real class-less society is unattainable, except by small communities whose members, under the inspiration of religion, have developed the requisite degree of indifference to worldly goods.

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There will never be super abundance of all objects of human desire Human needs are indefinitely extensible In a capitalist society prices limit demand and bring about the adjustment of supply to demand "Free utilisation of the resources of society" (Engels) implies the absence of money If money is introduced, free "utilisation of the resources of society" goes, goods are turned into commodities, money circulates as under capitalism, it may be saved and hoarded, borrowed and lent, or invested abroad All the germs of capitalism are present Nothing depends on the form of exchange

The communist ideal is religiously noble But it is irreconcilable with the materialistic outlook of communism There is no 'synthesis' of this 'thesis' and 'anti thesis'

The theory of scientific socialism is Cha fundamentally unsound The genesis of Indian socialism does not lie in the labour theory, which is dead, in the theory of surplus value, which is equally dead, in the theory of class struggle, which is worse than useless since it ignores the struggle for existence, or in the economic ideal of a class less society, which can never be realised India is attracted by socialism because a socialist planned economy is the only means of protecting the rural masses against the ruinous effects of the agricultural revolution Economic planning in India will have three main objects (a)

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increasing production with modern appliances, (b) achieving an evenly balanced economy, and (c) stimulating demand

Indian socialism must be adapted to Indian requirements Imported slogans have a very limited value for us India is not a largely feudal country and our masses are not international in outlook Internationalism may be a higher ideal, but Indian socialism must be intensely national, since there is no socialism without swaraj

The practical issue before the country is not the form of the socialist State, but swaraj All controversy about the form of the future State is futile When the new State comes, it will know what to do and how to do it If it is not coming at all, there is still less reason for engaging in a fruitless controversy

It is necessary to organise the peasants for swaraj And in dealing with peasants we must remember that no form of socialism which they view with suspicion has the slightest chance of being accepted or worked by this country

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CHAPTER I

EXPLOITATION

ACCORDING to Marx the value of a good is determined by the socially necessary labour time incorporated in it. This view forms the basis of the Marxian theory of exploitation.

A spinner buys 10 lbs of cotton at 10s. The price of cotton represents a certain amount of socially necessary labour. Spinning causes wear and tear of the spindle, say a value of 2s. If the quantity of gold represented by 12s is produced in two days' labour, then the raw material and wear and tear of machinery are equal to two days' labour.

Suppose the value of the labour power sold is 3s for 6 working hours. "This means," says Marx "that 6 hours' labour are required to produce the average amount of the means of subsistence daily required by the worker"¹. In 6 hours the worker transforms the cotton into yarn. The value added by him to the cotton is thus 3s. The total value of the product is 2½ days' labour. The gold value corresponding to this is 15s.

¹ *Capital* Vol I. Translation edited by G.D.H. Cole, Vol I, p. 184.

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Our capitalist is flabbergasted (*stutzt*) He earns nothing for himself, for the price at which yarn is sold, 1¹/₂s per lb, corresponds exactly to its value, leaving nothing for him He makes a claim to a share in the value produced "Can the worker," he asks, "produce commodities out of nothing? Did not I provide him with the materials by means of which alone his labour could be embodied? Am I to get nothing for these services?"² Thus the capitalist But Marx asks What about the worker? "Did not the worker pay you service for service, by turning your cotton and spindles into yarn?" He paid his worker 3s and a value exactly equal to 3s was added by the worker to cotton in turning it into yarn Thereupon the employer exclaims, "Have not I myself worked? Did not I do the work of superintendence?" This outburst only makes his overlooker and manager shrug their shoulders

There is no profit for the employer if 3s are paid for a 6 hours' labour-process He, therefore, provides means of production requisite for a 12 hour labour process, paying the worker not more than 3s as before In 12 hours, 20 lbs of cotton are transformed into 20 lbs of yarn Raw cottons costs 20s and wear and tear is represented by 4s In all 20 lbs of yarn embody 5 working days (raw cotton and wear and tear of spindle 4 days, and labour one day),

² *Capital*, Vol I Translation edited by G D H Cole
Vol I, p 186

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and the value of the yarn is 30s. But the employer has spent only 27s. "The value of the product is one ninth more than the values advanced to effect its production," says Marx. "As a result 27s have been transformed into 30s. A surplus value of 3s has been added. The trick has at last been successful, money has been changed into capital." ³

Surplus value thus appears as unpaid labour. This is the fundamental view of profits presented in *Capital* Vol I. There is no change in the essential character of surplus value as unpaid labour in *Capital* Vol III, but Marx modified his argument to meet an obvious objection. This objection is known as "The Great Contradiction."

In Vol I we are concerned with the individual capitalist. He engages labourers and forces them to overstep the bounds of necessary labour time, thus causing the production of surplus value. The actual wages paid Marx calls variable capital. Since surplus value is determined by the surplus portion of working days (which is not paid for), it follows that the ratio between surplus value and variable capital (wages) is the same as the ratio between surplus labour and necessary labour. If we call surplus value S and variable capital V, then

$$\frac{S}{V} = \frac{\text{Surplus labour}}{\text{Necessary labour}}$$

³ *Capital*, Vol I. Translation edited by G. D. H. Cole, Vol I, p. 189.

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The rate of surplus value is defined in *Capital*, Vol I, as "the degree of exploitation of labour-power by capital, or of the exploitation of the worker by the capitalist" ⁴

When the labourer works half of every day for himself, and the other half for the capitalist, the degree of exploitation, or the rate of surplus value, is 100 per cent

Now if this account of surplus value is correct, it follows that businesses in which the proportion of variable to constant capital is higher should show more profit than others in which this proportion is lower. The degree of exploitation being the same, say 100 per cent, more labourers would create more surplus value

The organic composition of capital in different businesses is different. We have seen that by variable capital Marx means just the wages paid. His variable capital has a narrower connotation than circulating capital, which includes raw material and wear and tear of machinery. Including raw material and depreciation in constant capital, the total capital of one firm may be composed of 90 per cent constant and 10 per cent variable capital, and of another 10 per cent constant and 90 per cent variable capital. To put the objection in Marx's own words

"If a capital consisting of the percentages 90c +

⁴ *Capital*, Vol I. Translation edited by G D H Cole, Vol I p 215

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10v produced, with the same degree of exploitation of labour, the same amount of surplus value or profit as a capital consisting of the percentages 10c+90v, then it would be clear as day light that surplus value and therefore value must arise from a source other than labour, which would deprive political economy of every rational basis " ⁵

How does Marx answer the objection? We shall use his own illustrations.

We take five different spheres of production, with different organic compositions of capital but the same rate of surplus value, as shown in the following table

Capital	Rate of surplus value	Surplus value	Value of product	Rate of profit
I 80c+20v	100%	20	120	20%
II 70c+30v	100%	30	130	30%
III 60c+40v	100%	40	140	40%
IV 85c+15v	100%	15	115	15%
V 95c+5v	100%	5	105	5%

It is seen that while the rate of surplus value is the same, 100% in each case, the rate of profit is different. The rate of profit is found by comparing the total value of the product with the total value of capital consumed in production (100 in each case). The production sphere III has the highest proportion of variable capital, 40 per cent. The degree of exploitation of labour in this case being the same as

⁵ *Das Kapital* Vol III, Part 1, p 127 (Hamburg, 1919)

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in the other cases ($\frac{\text{surplus labour}}{\text{necessary labour}}$), the rate of profit is 40 per cent

The total capital of the five spheres of production (or firms) is 500, the total surplus value produced by them is 110, and the total value of the products 610. The total capital of 500 is equal to $390c+110v$, or, in percentages, $78c+22v$. If we regarded each of the five capitals as one fifth of the total, then the average composition of capital would be $78c+22v$. On an average surplus value would be 22, the rate of profit 22 per cent, and the average value of the products of the five capitals, 122.

But, to follow Marx again, it is not correct to assume that cost price in each case is 100. When the proportion of constant to variable capital is high, as 4 : 1, the whole of constant capital may not be consumed, or may not reappear in the value of the product. The following table shows different cost prices when the consumption of c is different in different cases.

	Capital	Rate of surplus value	Sur plus value	Rate of profit	Consumption of c	Value of goods	Cost Price
I	$80c+20v$	100%	20	20%	50	90	70
II	$70c+30v$	100%	30	30%	51	111	81
III	$60c+40v$	100%	40	40%	51	131	91
IV	$85c+15v$	100%	15	15%	40	70	55
V	$95c+5v$	100%	5	5%	10	20	15
Total	$390c+110v$	—	110	110%	—	—	—
Average	$78c+22v$	—	22	22%	—	—	—

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Let us take capital V as an example Of 95c, 10 is consumed Adding to 10 the wages paid, 5, and 5 of the surplus value produced, the value of the product is 20 The rate of surplus value is 100 per cent, cost price 15 (10c+5v) and the rate of profit 5 per cent on the total capital employed (95c+5v)

It is again seen that, on an average, the composition of the five capitals regarded as one is 78c+22v, surplus value is 22, and 22 per cent is also the rate of surplus value If this surplus value were equally divided among the five capitals, the prices of goods will be as under

	Capital	Surplus Value	Value of goods	Cost prices of goods	Prices of good	Rate of profit	Difference of prices from value
I	80c+ 20v	20	90	70	92	22%	+ 2
II	70c+30v	30	111	81	103	22%	- 8
III	60c+40v	40	131	91	113	22%	-18
IV	85c+15v	15	110	55	77	22%	+ 7
V	95c+ 5v	5	20	15	37	22%	+17

In spite of the different organic composition of capitals, the rate of profit is the same in each case, 22 per cent How is this remarkable result achieved ? Surplus values are different—they vary with the proportion of variable capital to constant capital Values of goods and cost prices are the same as in the preceding table But goods are sold at prices which in some cases are higher and in others lower than their values For example capital II is 70c+30v The goods produced by capital II are sold at

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prices which fall short of value by 8, the defect in the case of capital III is 18. But where the proportion of constant to variable capital is higher, goods are sold at prices which exceed their value.

That is how Marx solved "The Great Contradiction." The organic composition of capital varies from business to business and from industry to industry, but the rate of profit in all businesses and industries tends to be equal. Marx sticks to his original thesis that labour alone produces surplus value. If more labour is employed in any business or industry, more surplus value is created. "In accordance with this, rates of profit ruling in various branches of industry, are, in the beginning very different. But these different rates of profit are, through competition, equalized to a general rate of profit, which is the average of all these different rates." ⁶ The total profit of a business in which more capital is invested is greater in proportion to the amount of its capital, but the rate of profit is the same for all. Marx compared capitalists to shareholders in a huge joint-stock enterprise. The rate of profit or dividend is the same for all shareholders, but the amount of profit, or dividend, varies according to the number of shares owned by each. ⁷

The rate of profit is the same because businesses or industries with a lower organic composition of

⁶ *Das Kapital* Vol III Part I, p 127 (Hamburg, 1919)

⁷ *Ibid.*, p 137

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capital (lower proportion of constant to variable capital), sell their goods below their value, and businesses and industries with a higher organic composition of capital sell their goods above their value, as is shown in the last table

Is this explanation of "The Great Contradiction" satisfactory?

W Gelesnoff, University Professor at Moscow, was not entirely convinced "How equalisation of profits in different spheres of production comes about in spite of different compositions of capital—to this question," says Gelesnoff, "Marx gives no clear answer"⁸ One may complain with Gelesnoff that Marx does not tell us how and why in the process of profit distribution, the goods of one firm are always sold below their value, and of another above their value

There are two main steps in the argument First there is the statement that spheres of production, or branches of industry, or firms in which there is a higher proportion of variable to constant capital, enjoy more surplus value than others in which this proportion is lower. If they could retain all this surplus value, or show a higher rate of profit, the truth of the labour theory and of exploitation in the Marxian sense would be established But the second step in the argument shows that all profits are pooled together,

⁸ *Grundsätze der Volkswirtschaftslehre*, by G. W Gelesnoff, Berlin, 1918, p 237

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and that the actual rate of profit enjoyed by a firm has nothing whatever to do with the proportion of its variable to constant capital. One may admit the tendency towards equality in the rates of profit of various firms, but it has not been shown that firms which employ more labourers do as a matter of fact earn more profit. It remains an assumption.

According to Boehm-Bawerk, Marx's system is "not in close touch with facts." "The system runs in one direction, facts go in another," he wrote, and in 1896 it seemed to Boehm-Bawerk that Marxism had no future. To this Strachey may well say, as he has said: "But in the event it was the Austrian Empire, the Emperor, his Minister of Finance, and the theoretical constructions by which the Minister explained the existence both of himself and of his Emperor which had no future." As if that settles the controversy!⁹

What does Strachey himself think of the pooling process? The pooling process takes place, not only when there is a sudden glut "but habitually as between industries using different proportions of variable and constant capital." "All this," he continues, "sounds remote from reality."¹⁰ And yet all this really does happen. Marx's solution is 'water-

⁹ *The Nature of the Capitalist Crisis*, Cheap edition, (Gollancz) p 231

¹⁰ *Ibid* p 219

EXPLOITATION

tight'. "The solution is complete"¹¹ "Firms which use much variable and little constant capital do *make* much more surplus value or profit than firms which use capital of an opposite composition"

It may seem as if the controversy can never be settled. Marxists insist that the less mechanized firms do *make* more profits, which their critics deny. In a given economic system, or a given society, it is neither possible to prove nor to disprove such a contention, on account of the pooling of all profits and the existence of an average rate of profits.

But there is no pooling of profits as between different countries. The rate of profit may be different in different countries in different stages of economic evolution. Take, for example, India and England of Marx's time. Our industrial organisation has much improved during the past twenty years. But fifty years ago we had only the beginnings of an industrial system. Much more labour per unit of capital goods was used in the Indian cotton industry than in Lancashire. Our capital was of a lower organic composition than British capital. Then whatever our rate of profit was, it was distinct from the British rate of profit. The capital invested in the Indian cotton mill industry was almost wholly Indian, and there was no pooling together of profits in Bombay and Lancashire—no tendency towards a general or uniform rate

¹¹ *The Nature of the Capitalist Crisis*, Chemp edition, (Gollancz) p. 220

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of profit as between Bombay and Lancashire, such as exists in a given society or a given economic system

Here is then a test provided for the truth or falsity of the Marxian theory of exploitation, which connects a high rate of profit with a lower organic composition of capital. The test is a valid one. A theory which cannot be put to a test in a given economy on account of the tendency towards equalisation of profit, may be applied to different rates of profit in two different economies, with different organic compositions of capital.

Would Strachey accept such a test? I do not know. Marx did. The passage in which he compares surplus values in European and Asiatic countries is so important that no apology is needed for reproducing it in full. A literal translation of the original is given.

"The value of a good is equal to the value of the constant capital it contains, *plus* the variable capital incorporated in it, *plus* the increase in this variable capital, the surplus value created. The rate of surplus value being equal, its magnitude obviously depends on the magnitude of the variable capital. The value of the product of a capital of 100 is in one case $90c + 10v + 10s = 110$, in another case $10c + 90v + 90s = 190$. Goods are sold at these values — thus the first product [is sold] for 110, of which 10 represents surplus value or unpaid labour, the second product, on the other hand, [is sold] for 190, of which 90 is surplus value or unpaid labour.

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"This is particularly important when international rates of profit are compared with one another. In a European country the rate of surplus value is 100 per cent, that is, the labourer works half of a day for himself, and the other half for his employer, in an Asiatic country it is 25%, i.e., the labourer works $\frac{4}{5}$ of a day for himself and $\frac{1}{5}$ for his employer. In the European country, however, the composition of national capital is $8\frac{1}{2}c + 16v$, and in the Asiatic country, where few machines etc., are used and a given quantity of labour power productively consumes a relatively small amount of raw material in a given time, the composition is $16c + 8\frac{1}{2}v$. We have thus the following account

"In the European country the value of the product $= 8\frac{1}{2}c + 16v + 16s = 116$. Rate of Profit $= 16/100 = 16\%$

"In the Asiatic country the value of the product $= 16c + 8\frac{1}{2}v + 21s = 121$. Rate of profit $= 21/100 = 21\%$

"The rate of profit in the Asiatic country is thus more than 25 per cent greater than in the European, although the rate of surplus value in the former is four times smaller than in this. Carey, Bastiat and all the rest will conclude just the opposite

"This incidentally, different national rates of profit will in most cases rest on different national rates of surplus value, in this chapter, however, we

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shall compare unequal rates of profit which arise from the same rate of surplus value."¹²

According to Marx there are different national rates of profit based on different rates of surplus value. The figures given in the numerical illustrations are, of course, imaginary. We do not know which Asiatic country Marx had in his mind when he constructed these examples, but with certain modifications the figures would apply to India of 50 or 60 years ago.

Marx supposed that the rate of surplus value was 100 per cent in the European country, but only 25 per cent in the Asiatic country, that is, while in the European country the labourer worked unpaid for half a day for his employer, in the Asiatic country he worked $\frac{4}{5}$ of a day for himself, and only $\frac{1}{5}$ of the day for his employer. That was not true of India of those days. The degree of exploitation of Indian labour in the cotton mills of the Bombay Presidency was certainly much higher than that of the Lancashire working man.

The Factories Act of 1881 fixed 7 and 12 as the limits of age for children, and nine hours as the limit of their work. Hours of work for persons over 12, whether male or female, were not fixed by law. Factories generally worked from day light to dark, a period which varied from $11\frac{1}{2}$ to 14 hours, with a very short interval of about 15 or 20 minutes. The

¹² Das Kapital, Vol III, Part I, pp 128-29

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average hours of work of persons of different ages in Bombay were as shown below —

	Bombay	England
Male over 18	12½	10
Female over 18	11½	10*
Persons between 14 and 18	12½	10*
" " 12 and 14	12½	5*
" " 10 and 12	9*	5*
" " 7 and 10	9*	not at all *

Those marked with an asterisk were regulated by law

The Bombay Factory Commission made an investigation into working class conditions in 1885. In their report the Commission compared working conditions in England with those in India to the disadvantage of the latter. Instances of overwork in industries in England in which men formed the majority of hands employed, were unknown. "Men may be worked overtime, night time and even on Sundays so far as the English Factory Law is concerned, but in practice," said the Commission, "shortening the hours of the protected classes (children, young persons and women) has just as effectually compelled the shortening of the hours of work of the men as if the latter had been directly dealt with." The Commission were astonished to find that the Indian Factory Act did not prescribe the maximum limits within which regulated labour was to be taken, and there was no mention of women and young persons whatever.

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Children only between 7 and 12 years of age were protected "and that most inefficiently" "The result of these omissions is," said the Commission, "that women can be worked as long as men, or from sunrise to sunset—that is, $11\frac{1}{2}$ hours a day or $80\frac{1}{2}$ hours a week, in the cold weather, and 14 hours a day, or 98 hours a week in the hot weather, and if artificial light is used, they may be worked day and night for days consecutively, and that such excessive labour is exacted in the small ginning and pressing factories of Khandesh is distinctly proved by the evidence before us "

On the average 15 holidays were given throughout the year, while in England, besides 10 holidays, there were 52 Sundays and 52 half Saturdays, making a total of 88 days altogether "The difference is striking," said the Commission

We should not be far wrong in supposing that under the conditions of employment and wage payments then, the Indian labourer worked for 6 hours for himself and 12 hours for his master But for the sake of argument let us assume that the degree of exploitation of Indian labour was only 25 per cent greater than that of the Lancashire worker

The organic composition of Indian capital may not have been so low as suggested in Marx's example, $16c+84v$ It may have been $40c+60v$ We have thus the following reconstructed example

In the European country, say England,

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The value of product = $84c + 16v + 16s = 116$

Rate of profit = 16 per cent.

In India

The value of product = $40c + 60v + 75s = 175$

Rate of profit = 75 per cent

The rate of profit for India is much higher than Marx's figure for an Asiatic country, 21 per cent. But it would be higher still if the organic composition of Indian capital then was $16c + 84v$

The rate of profit is high on account of the higher degree of exploitation of labour in India. If the same rate of exploitation is assumed for both countries, the rate of profit would be 60 per cent

In India

The value of the product = $40c + 60v + 60s = 160$

Rate of profit = 60 per cent

We may put the proportion of c to v still higher. That would reduce the rate of profit. But given the same degree of exploitation of labour in England and India, and a lower organic composition of capital in India, the Indian rate of profit, according to the Marxian theory, must be substantially higher than the English

$40c + 60v + 60s$	= 160	Rate of profit	= 60%
$45c + 55v + 55s$	= 155	Rate of profit	= 55%
$50c + 50v + 50s$	= 150	Rate of profit	= 50%
$55c + 45v + 45s$	= 145	Rate of profit	= 45%
$60c + 40v + 40s$	= 140	Rate of profit	= 40%

Marx's reasoning leads one to conclude that the rate of profit in Indian manufacturing industries in

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the free trade regime was two or three times higher than in England

The Indian cotton mill industry has made rapid progress in recent years. In 1913-14 the output of Indian mills was 1164 million yards of piece goods as compared with imports amounting to 3197 million yards. At the present time Indian mills are producing on the basis of 3500 million yards per annum, while total imports of piece goods in 1935-36 amounted to 946 million yards. The proportion of Indian output to imports in 1913-14 was 100 : 275, at present it is about 370 : 100.

In 1879-80 there were 58 cotton mills in existence, with a rupee capital of 5½ crores, and 13,307 looms and 1,470,830 spindles. The mills gave employment to 39,537 persons. In 1932-33, 325 cotton mills were working in the whole of India with a paid-up capital of 38 crores, and 180,705 looms and over 9 lakhs of spindles. The mills gave employment to about 4½ lakhs of persons daily on an average.

Average imports of cotton piece goods from 1896-97 to 1900-01 were 1219 million yards, and average home production in the same period was 320 million yards, or one-fourth of imports. This period includes two severe and widespread famines which caused heavy mortality. Average imports from 1876-77 to 1880-81 were larger, 1356 million yards. Home production was probably less than 320 million yards. Figures of home production for this period are not

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no real lack of capital in India, but Indian capital avoided manufacturing industries because profits were insecure. There is no other meaning of the characteristic 'shyness' of Indian capital.

One of the most forcible arguments in favour of protection was that it would remove want of confidence among the owners of capital and make profits secure.¹⁵

The Fiscal Commission did not overlook the possibility of attracting foreign capital. "These are very substantial advantages," they wrote, "in a country the development of which in every direction is retarded by insufficiency of capital."¹⁶

Nor were the Fiscal Commission mistaken. Protection has removed the shyness of Indian capital, and increased the flow of foreign capital to India. In 1922-23 the number of companies registered outside India but working in British India and Indian States was 720, and the amount of their paid up capital about £487 millions. In 1931-32 the number of companies had increased to 911 and the amount of paid-up capital to £756 millions. In rupees the paid up capital of these companies increased from 649 crores to 1008 crores, or by 55 per cent in this period. There is no doubt that this considerable flow of capital to India was largely due to our protective tariff.

¹⁵ *Report, Fiscal Commission*, para 74

¹⁶ *Ibid.*, p 25

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Relevant facts about our tariff history may next be noted. The general rate of duty levied on imports into India until 1860 was 10 per cent *ad valorem*, almost all goods exported were taxed at the rate of 3 per cent. The duty on imports was reduced to $7\frac{1}{2}$ per cent in 1864 and 5 per cent in 1875. Duties on exports were gradually repealed and in 1875 only rice, indigo and lac were still subject to duty. The 'reform' of the Indian tariff in accordance with the principles of free trade began in 1878. The duties on a great number of articles, including some of the coarser cotton goods, were remitted in that year, and in the following year the duties on grey cotton goods, except those of the finer qualities, were repealed. In 1882, with the exception of salt, all the remaining import duties were repealed. Financial pressure compelled the Government of India in 1894 to reimpose the tariff of 1875 with some modifications. In December 1894 a 5 per cent duty was imposed on cotton goods and yarns imported into India and a countervailing excise duty of an equivalent amount was imposed on cotton goods made in Indian power mills. Two years later the duty on yarns was removed, and both the duty on cotton goods and the excise were lowered to $3\frac{1}{2}$ per cent. The Tariff Act of 1894 was amended in 1899 with a view to check the imports of bounty fed sugar from Germany and Austria-Hungary. With this exception there was no change until the revision of the tariff in 1916.

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We are now in possession of all the relevant facts India was a free trade country with a light revenue duty when the Great War broke out. She was industrially backward, with only two large manufacturing industries jute and cotton. There was capital in the country, but mostly lying dormant. Is it possible to reconcile these facts—and they are facts, not theoretical constructions, with an average rate of industrial profit in India equal to two or three times the rate of profit in England?

It is obvious that there is something radically wrong with the assumptions with which we started, that surplus value is unpaid labour, and that the rate of surplus value being given (say 100 per cent), its magnitude, as Marx said, depends on the magnitude of variable capital. There might have been an average rate of profit in Indian industries as a whole, but national rates of profits, it is admitted by Marx, may be different—because different national profits are not pooled together. The facts of our industrial situation under free trade are not in harmony with the Marxian theory. The Marxian theory does not explain the facts. It breaks down completely.

The Marxian system is thin and subtle like gossamer. It cannot bear the slightest touch of reality.

THE LABOUR THEORY

The Marxian view of exploitation or surplus value is wrong because it is based on a wrong theory of value—the famous labour theory.

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Things exchange for one another in certain proportions, e.g., 1 coat=20 yards of linen, 10 lbs of tea=1 quarter of wheat, etc. Why?

Marx's explanation is in terms of labour. If 1 coat=20 yards of linen, he argues, something must be common to both, or both must be equal to a third commodity, i.e., labour.

If 1 coat=20 yards of linen, their prices must be equal, say Rs 5 for a coat and also Rs 5 for the given quantity of linen. It follows that whenever the prices of two commodities are equal, the commodities embody equal amounts of labour. If a sewing machine costs Rs 80 and a seer of sugar As 4, then the labour embodied in a sewing machine is equal to that embodied in 8 maunds of sugar.

The value of gold is determined in the same way as that of any commodity. Gold also embodies a certain amount of socially necessary labour time. "Like any other commodity gold can only express the magnitude of its value in the form of a relation to other commodities. Its own value is determined by the amount of labour time needed for its production, and that value secures expression in the quantum of any commodity in which an equal amount of labour-time is congealed."¹⁷ And in a foot note Marx quotes William Petty in his support.

Our difficulties begin immediately. Our silver rupees were of full value before the closing of the

¹⁷ *Capital* Vol I, p 67 (Cole)

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mints to the free coinage of silver in 1893. If a maund of wheat in 1890 cost 2 rupees, it was possible to argue then that the labour embodied in a maund of wheat was equal to that embodied in 2 *tolas* of silver. But the rupee became a token coin in 1893, and is a token coin now, that is, it does not contain 16 annas worth of silver. There is no longer any equality between the magnitude of labour embodied in a rupee and that embodied in what the rupee purchases. Further, instead of using token rupees, we may use paper money whose intrinsic value is zero. Paper money, perhaps the reader will object, must be convertible. But why? A currency may consist wholly of inconvertible paper, its amount being so regulated that it does not depreciate. An inconvertible paper rupee would have purchasing power in terms of commodities and services, but no relation could be established between the paper rupee and commodities and services in terms of labour.

For foreign payments, the paper rupee would be convertible into gold. But it is not necessary that the gold value of the rupee should be fixed. The rupee has no fixed gold value now. Before we left the gold standard, 18*l* sterling was equal to 18*l* gold, or the gold value of the rupee was 8.4751 grains of gold. At present it is about 40 per cent less than this, or a little over 5 grains. During the past 5 years, or since 21st December, 1931, the gold value of the rupee

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has fluctuated considerably. The rupee being linked to sterling, the gold value of the rupee has risen and fallen with sterling. It will continue to fluctuate until we return to the gold standard again, which may take many years.

What does the rise and fall in the gold value of the rupee mean? Before 21st September, 1931, a given quantity of agricultural produce, or milk, or *mithai*, or industrial products which cost a rupee, was equal to about $8\frac{1}{2}$ grains of gold, because the labour embodied in this quantity of gold was equal to that embodied in the agricultural products, milk, *mithai* etc. Agricultural methods have been revolutionized, and conceivably the average amount of socially necessary labour-time which a given unit of agricultural produce represents to day is less than 10 or 20 years ago. But there is no change in the methods of producing *mithai*, our *mithai* does not compete with European sweets and the socially necessary labour time which is incorporated in it has suffered no change during the past ten or twenty years. And yet a rupee worth of *mithai* now represents labour incorporated in 5 grains of gold as compared with about $8\frac{1}{2}$ grains before the abandonment of the gold standard by India. Is it possible to account for this change? Do five grains of gold to day incorporate as much socially necessary labour-time as $8\frac{1}{2}$ grains before 21st September 1931?

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There is no conceivable reason why they should. As in the case of manufactured products generally, the average amount of socially necessary labour required to produce gold is probably less to day than before. Metallurgy has benefited from recent mechanical progress like other branches of production.

When we return to the gold standard, the gold value of the rupee may be five grains, or any other rate may be chosen. If the rupee is stabilised at 6 grains of gold, the gold equivalent of all commodities and services which a rupee procures, will change immediately. And if gold exports ceased, or Government left the rupee to find its own level, there is very little doubt that sterling exchange will fall. The gold value of the rupee may fall to 4 grains of gold or even less.

Labour is supposed to provide an absolute, objective standard of value. Of course there is nothing absolutely absolute in this world. A yard stick moving in space in the direction of its own length at the speed of electrons would become shorter. But a yard stick at rest, which is not affected by heat or cold, is an absolute, objective measure of length. Is labour such a standard? No. Even if we were able to compare the qualities of various sorts of labour required to produce a given quantity of gold with that incorporated in a given unit of agricultural produce, milk, *mithai* or industrial products,

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there is no fixed relation between gold and commodities or services.

The labour yard-stick with which we set out to determine the value of all goods is found to be useless. It constantly becomes shorter or longer. Labour involved in producing any good cannot be reckoned in terms of labour involved in producing paper or token money or a given amount of gold.

If we leave out gold, we are left with goods alone, and the ratios at which they exchange against one another. What is the explanation of these ratios? This is the central problem of value.

If 1 coat = 10 maunds of wheat, it is not necessary that the labour incorporated in the two should be equal. In fact it may not be possible to compare the labour incorporated in the two on a rational basis. Something else is common to both besides labour, and that is utility. It is in virtue of this utility or want-satisfying power that a coat may be compared with a unit of agricultural produce, or iron or steel, or even a piece of land which was not produced by labour at all. If a coat, 10 maunds of wheat and a square yard of land represent equal degrees of utility at the margin, they will be equal to one another. Their values may then be said to be equal, which values may be expressed in terms of paper money convertible or inconvertible, silver money, which is token money of full value, or gold. We are not

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concerned at all with the labour which a given unit of money may or may not represent

Marx was concerned with values produced by labour alone. But land possesses exchange value precisely in the same sense in which exchange value is possessed by any product of human labour. Land may be equated to any thing of value—coal, diamonds, or wheat, or milk. The equation, 1 acre of cultivable land=1 motor cycle, cannot be explained in terms of human labour.

Marginal utility explains more than the labour theory. Labour misdirected has no value because it fails to produce utility. "Socially necessary labour" is supposed to account for the non-appearance of even in this case. But the explanation in terms of utility is more convincing.

"If the world needs 100 million bushels of wheat," argues Strachey, "and its farmers produce 150 million bushels, some of their labour was not socially necessary and did not, therefore, create, value."¹⁸ We are unable to decide whether labour was 'socially necessary labour' or not until the produce is brought to the market. If there is demand for the 150 million bushels of wheat, the labour of all farmers was 'socially necessary', if, on the other hand, supply is found to exceed demand and price falls, then we suddenly make the discovery that some

¹⁸ *The Nature of the Capitalist Crisis*, p. 167

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farmers' labour was not socially necessary !

This is an exceptional case in which 'socially necessary labour' also accounts for the fall of price due to over production. Arguing similarly, a rise of prices owing to a sudden increase of demand may be explained by saying that, owing to the increase in demand, the goods concerned incorporated a larger amount of 'socially necessary labour' ! This is a wholly new interpretation of 'socially necessary labour', for which Strachey deserves credit !

The labour theory explains the 'value' of commodities as distinguished from their prices. Marx's conception of value is the same as that of normal price. Normal price is price in the long run. Market prices rise and fall, but they fluctuate around the level of normal price.

"The price of a thing," Marx says, "is the money name of the value embodied in that thing." Money (gold) is itself a product of labour. Price may thus be regarded as "the exponent of the value of a commodity." If two quantities of socially necessary labour are respectively represented by 1 quarter of wheat and £2 (nearly half an ounce of gold), then £2, the price of 1 quarter of wheat, expresses the magnitude of the value of the quarter of wheat. But price may rise to £3 or fall to £1. The "possibility of a quantitative incongruity between price on the one hand and magnitude of value on the

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other, the possibility of a divergence of price from magnitude of value, is inherent in the price form " ¹⁹ When such divergence occurs, price ceases to be a correct measure of value. Does this mean that prices are never equal to value? No. The different kinds of individual or private labour are continually being reduced to their socially proportional measure.

"How is the reduction achieved? In this way that in the chance and ever varying exchange relations between products, the labour time socially necessary for their production exerts its coercive influence like an over riding law of nature. The law of gravity exerts an over riding influence in like fashion when a house tumbles about our ears " ²⁰

It is impossible to mistake Marx's meaning. While market prices rise and fall, they tend toward a particular level. Market prices are thus subject to an over riding law of nature, like that of gravitation, which makes them correspond to "value."

Marx expressed the same idea more clearly in the course of an address to the General Council of the International on June 26, 1865. The relevant portion of the address is reproduced below ²¹

¹⁹ Translation of *Capital*, edited by Cole. Vol 1, pp 78-9

²⁰ Ibid pp 48-9

²¹ 'What then is the relation between *value* and *market prices*, or between *natural prices* and *market prices*? You all know that the *market price* is the *same* for all commodities

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MARY AND MARSHALL

Mary was an economic monist, that is, he attempted to explain value in terms of labour alone. Marshall was a dualist. Marshall's analogy of a pair of scissors is well known. Value, according to Marshall, is governed by utility and cost, both in the short and the long period. But the influences which preponderate in the long period are different from those which determine value in the short period. In

of the same kind, however the conditions of production may differ among the individual producers. The market price expresses only the *average amount of social labour* necessary under the average conditions of production to supply the market with a certain mass of a certain article. It is calculated upon the whole lot of a commodity of certain description.

So far the *market price* of a commodity coincides with its value. On the other hand, the oscillations of market prices, rising now over sinking now under the value or natural price, depend upon the fluctuations of supply and demand. The deviations of market prices from values are continual, but as Adam Smith says, 'The natural price is the central price to which the prices of commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this centre of repose, and continuance they are constantly tending toward it.'

I cannot now sift this matter. Mary continued. 'It suffices to say that if supply and demand equilibrate each other the market prices of commodities will correspond with their natural prices, that is to say, with their values as determined by the respective quantities required for their production. But supply and demand *must* constantly tend to equilibrate each other although they do so only by compensating one fluctuation by another: a rise by a fall and *vice versa*.' (*Value, Price and Profit* of Karl Marx, National Labour Press, London), pp. 26-7.

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the short period the influence of utility is more important than that of cost, as supply can be increased only with the existing appliances for production, or with difficulty. In the long period there is a more permanent equilibrium between supply and demand. Price in the long period is determined by cost of production—with an increase of demand, price tends to fall, rise or remain constant according as the commodity in question is produced under the law of increasing, diminishing or constant return. But whether in the short or in the long period, both blades of our pair of scissors must be there.

Does Marx ignore utility altogether? No. He recognizes that the market price may rise or fall below the 'value' of a commodity, as in the example of wheat given above. His labour theory does not explain the oscillations of market price, the explanation may, therefore, be sought in utility. But Marx did not trouble about that explanation, he was more interested in his theory of exploitation. If pressed, a Marxist would admit (as admit he must) that marginal utility furnishes a complete explanation of such oscillations: this is a logical deduction from his position that "the law of supply and demand can cause the price of commodities to fluctuate" ²²

Normal value is value in the proper Marxian sense. Normal value is governed by cost according

²² Lapidus and Ostrovitynov, *Outline of Political Economy*, p. 17

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to Marshall (demand being given) What is Marshall's idea of cost?

Marshall clearly distinguishes between money cost and real cost. The real cost of production of a commodity consists in the efforts and sacrifices involved in its production, the sums of money that have to be paid for these efforts and sacrifices are money costs of production, or expenses of production.

If money cost corresponds to real cost, or is a true measure of efforts and sacrifices, and if price is equal to money cost, price is determined by real cost.

Professor Cannan has taken pains to trace the evolution of Marshall's thought on the relation of money cost to real cost between 1890 and 1923, from the 1st to the 8th edition of Marshall's *Principles*.²³ He is perhaps inclined to attach too much importance to alterations and improvements of the text of the *Principles*. On the whole Marshall has been fairly consistent. All editions illustrate the "way in which efforts and sacrifices which are the real cost of production of a thing, underlie the expenses which are its money cost." All editions, however, proclaim the looseness of the connection between supply price and real cost of production. All editions suggest that in an age of change the equilibrium of normal demand and supply does not correspond to any 'precise' (1st edition) or 'distinct' (8th edition) relation of a

²³ *Review of Economic Theory*

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certain aggregate of pleasure got from the consumption of a commodity and the aggregate of efforts and sacrifices involved in producing it. In the 6th edition Marshall added a paragraph to the last section of Book V, Chapter III, in which he explains that the capitalist employer is directly concerned, not with efforts and sacrifices but the money payments that he has to make for them. When we consider costs from his point of view, we measure them in money. But from the social point of view "we are concerned with the real costs of efforts of various qualities, and with the real cost of waiting." What is the relation between costs from the individual and from the social point of view? Marshall's answer is clear. "If the purchasing power of money has remained about constant, and if the rate of remuneration for waiting has remained about constant, then the money costs correspond to the real costs, but such a correspondence is never to be lightly assumed."

There is no definiteness about Marshall's conclusion. Marx, on the other hand, endowed the tendency of price to coincide with 'value' with the force of a natural law. In some cases it is easier to adapt supply to demand than in others, that is, a longer period of time may be required to bring about this adjustment in some cases than in others. But when the adjustment has taken place, price is an exact measure of the labour embodied in a commodity.

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The idea of the level around which market prices fluctuate is explained by an interesting simile by Lapidus and Ostravtjanov. When class-work is about to begin, a bell is rung. Boys enter the class room, some a little before and others a little after the ringing of the bell. "The bell is the point of equilibrium by which the arrival of the pupils is regulated."²⁴ Normal price, determined by the expenditure of labour, is the point of equilibrium by which market prices are regulated.

The conception of 'normal price' has its value for academic purposes. It explains what tends to happen in the long run. But it must be remembered that in the actual economic world, at any given time, we are concerned with actual supply and demand, and actual prices, wages and profits. Further, we live in a world of constant change, i.e., in which the relation of supply to demand is ever varying, causing fluctuations in prices.

A theory of exploitation is needed which will take account of actual conditions, a theory resting on mythical 'values' which do not exist, which may or may not tend to be realised in the mythical long run, is of little practical use.

Let us now return to the rate of profit in India under free trade. It was not high in spite of the scandalous working conditions in Indian mills and

²⁴ *Outline of Political Economy*, pp. 16-17 & 22-23

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much use of variable capital in the Marxian sense. If it had been high, India would have become a great manufacturing country long before the Great War, and we should not have suffered as we did from the shortage of all kinds of manufactured goods during the War.

Wages were low then, and they are low now. An enquiry conducted by the Bombay Labour Office in 1921-22 showed that the quantity of food consumed by the industrial workers in Bombay was insufficient. They consumed the maximum of cereals allowed by the Famine Code, but less than the diet prescribed in the Bombay Jail Manual. Wages paid for 18 hours work about 60 years ago were 4 annas daily. Why did workers accept such low wages? Why did workers in 1921-22 work for wages below the subsistence level? For it will be admitted that consumption which falls below the diet prescribed in Jail Manuals is consumption below the subsistence level. The answer to these questions was given by Mr Wadia in his evidence before the Bombay Factory Commission of 1885—the women came from Satara and Khandesh where there was nothing for them to do. Most factory workers in India are drawn from villages. Sixty years ago they left their houses to seek employment in factories, as they do now, because some wages, however low, are better than no wages at all.

In the example given by Marx to explain the

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production of surplus value he assumes that the value of labour for one day, when the labour power was sold, was 3s and that 6 hours' labour were incorporated in that sum. The worker's daily subsistence constitutes the standard for his daily wages²⁵. This is the 'value' of his labour power. This is the cost of production, or normal price of labour-power.

That is how wages may be determined if the "unseen hand" of the classical economists (in which Strachey seems to have faith) determined them. Indian experience, however, shows that for long periods the rate of wages may be below the subsistence level.

How is that possible? Our answer is that it is a question of fact, not of theory. From 1885, when Mr Wadia gave his remarkable evidence before the Indian Factory Commission, to 1921-22, when the investigations of the Bombay Labour Office established the fact that the food consumed by the industrial workers in Bombay was less than the diet prescribed in the Bombay Jail Manual, is a period of 36 years. At no time during this period did factory workers get wages corresponding to their 'value'. Conditions before 1885 were probably not much better, they may have been much worse.

The low wages of factory workers are explained, not by the greed of factory owners, but conditions

²⁵ *Capital* Vol I, p 184 (Colt)

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relating to the supply of labour. Wages would be higher if the classes from which factory labour is drawn earned more than the factory worker. The factory labourer is much better off than the average peasant, which explains why factory work attracts labour from the villages even when it is paid at rates below the subsistence level.

Excessive supply of labour reduces the marginal utility of labour, as excessive supply of oranges reduces the marginal utility of oranges. Supply being given, marginal utility determines price, whether of oranges, labour, or land or anything else that is bought and sold.

It would be a humane law which guaranteed his subsistence to the human worker. The laws which determine wages are not humane. Like natural laws which produce earthquakes and bring epidemics, the law of marginal utility is absolutely indifferent to human weal and woe.

Indian experience also shows adaptation on the part of the worker to wages or earnings which are below the starvation level. The reasons for this adaptation may be biological. If wages or earnings are insufficient, it does not follow that forces immediately begin to work which will raise them to the level of a comfortable standard of living. Supply may be permanently in excess of demand generation after generation, as has been our experience during

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the past 50 years or more. If the worker cannot get two square meals, he contents himself with one, or even half a meal a day. There is, of course, heavy mortality in epidemics, but it is not heavy enough to raise wages to the subsistence level.

Where wages are low, and much variable capital is used in production, as is the case in India, will the rate of profit be necessarily high? The answer is 'No'. The rate of profit depends on the prices at which goods are actually sold, not on the 'value' in terms of human labour which they incorporate.

Under free trade imports of cotton piece goods, which exceeded home production in the proportion of 4 to 1, determined the price at which Indian mills sold their products. This price had nothing whatever to do with the proportion of constant to variable capital in Indian mills, or the rate of exploitation of Indian labour. The price simply represented the marginal utility of cotton goods under given conditions of supply and demand.

Is political economy deprived of every rational basis when it is found, that, with the same or higher degree of exploitation of labour, a capital of a lower organic composition may show an insecure, lower rate of profit in a country as compared with capital of a higher organic composition in another country? No. But it is demonstrated that value arises from a source other than labour, which is utility.

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NOTE I

The following extract from the evidence of Mr Wadia, a mill owner, before the Bombay Factory Commission of 1885, is enlightening

“ In ordinary seasons, that is, when work is not very pressing, the engine starts between 4 and 5 A M and stops at 7, 8, or 9 P M, without any stoppage during the day. The hands work continuously all these hours, and are relieved by one another for meals. In busy seasons, that is, in March and April, the gins and presses sometimes work both night and day, with half an hour's rest in the evening. The same set continue working day and night for about eight days. When the hands have been working day and night for eight days, and it is impossible to go on longer, other sets of hands are procured from Bombay if they can be found. In this case the work is distributed between the old and new sets of workers, half working all night and half working all day. More women are employed in gins than in presses. Both the men and the women come to the factories at 3 A M, as they have no idea of the time and they wish to make sure that they are at the factory by the time it opens, i.e., 4 A M. I have 40 gins in one of my factories at Pachora, and I have only 40 women attending these 40 gins. I have only 8 spare women. I never allow these women off the gins. I am not alone in this respect, it is the general

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system There is no change of hands except at meal times The hands that work from 4 A M till 10 P M are paid from three to four annas per day All factories pay at this rate, sometimes we pay our hands 6 pies as a bonus There is no work in the district in which these poor women can get employment These women come from Satara and Khandesh, and are of Maratha class We work these long hours from 15th November till the 31st of May, but only about 10 days in each month Sometimes we work day and night for two months, but in this case we employ two sets of labourers We employ no children, When the wages are so low for the adult there is no advantage in employing children I certainly would recommend that legislation should be extended to these factories I am personally largely interested in this matter being a proprietor, secretary, and treasurer I should like to have these spinning factories worked only 12 hours a day

"When we see that the hands are absolutely tired out we are obliged to get others from Bombay The hands who work these long hours do frequently die Women are employed on this business "

NOTE II

Marx in *Das Kapital*, Vol III, Part I, says

"When capital goes to a foreign country, this happens not because there is absolutely no means of employing it in the home country This happens

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because it can be invested abroad at a higher rate of profit" (p 238)

India attracted British capital even in Marx's time, though the capital invested in Indian railways required Government guarantee of interest

As regards manufacturing industries, the capital invested in jute mills in 1879-80 was Rs 12.8 lakhs and £1,392,350 (Rs 167 lakhs) and in cotton mills Rs 563 lakhs and £80,000 (about 10 lakhs). In the case of jute mills sterling capital (British) exceeded rupee capital (which may be supposed to be wholly or predominantly Indian). But sterling capital in the case of cotton mills was less than 2 per cent of the rupee capital. One may assume that jute mills attracted British capital because they were yielding a higher rate of profit than the capital employed in Britain—jute was India's monopoly then, and the products of jute mills had a secure market. But it is evident that British capital avoided Indian cotton mills for the same reasons for which Indian capital avoided Indian manufacturing industries generally—on account of the intensity of foreign competition (wholly British then), the rate of profit was low. This reinforces our conclusion that the lower organic composition of our capital did not produce a rate of profit higher than the British.

There is another incidental reference to the subject by Marx in the same volume (p 219). He says

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"On the other hand, so far as capital invested in colonies etc is concerned, it can yield higher rates of profit, because, on account of a lower degree of development, rates of profit are higher there, which is also true of exploitation of labour, with the employment of slaves, coolies etc " Again it is implied that where the degree of exploitation of labour is higher and the organic composition of capital lower, the rate of profit is higher

When high colonial profits return to the home country, what is their effect on the general rate of profit there? Is the general rate raised by the addition of the higher rate of colonial profits, or are colonial profits brought down to the level of the general rate of home profits? Ricardo held the latter view, but Marx agreed with those who maintained that the equality of profits would be brought about by the general rise of profits "So far as the rate of profit is higher," says Marx, "because it is higher in the colonies, favourable natural conditions may go hand in hand with low prices of goods There is equalization, but not equalization at the old level, as Ricardo thought "

But the question of equalisation of profits, whether at the old general rate, or a higher new rate, as between Lancashire and Bombay, does not arise because we are concerned with different national capitals, and not one and the same capital invested at home and abroad

CHAPTER II

PEASANT PROPRIETOR, MONEY-LENDER AND GOVERNMENT

I have tried to show in the preceding chapter that the Marxian theory of exploitation is based on wrong assumptions, and that it does not explain the facts. But, to please the Marxist, we may assume in this chapter that there is no 'Great Contradiction' in Marx's account of surplus value, or if such contradiction exists, Marx's solution of it is, as claimed by Strachey, 'complete' and 'watertight'.

WHAT is the significance of the Marxian theory of exploitation, regarded as sound, for India?

Practically nothing.

It should not be forgotten that Marx's system is throughout concerned with the economics of a highly developed industrial country, where the worker has lost control over the instruments of production, and consequently works for a master. The worker thus ceases to be a self employer. The capitalist employer, owing to his monopolistic control over instruments of production, is able to exploit the worker. The worker does not receive the full value of the product of his labour. Something—the amount may be large or small, is kept back by the employer. This is the

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origin of profits, or Marx's conception of profits as unpaid labour

Our economy, however, is fundamentally different from that of an industrial country like England. India is an agricultural country. Of the total imports into India in 1935-36, valued at 134.4 crores, 71.7 per cent or 94.4 crores was the value of goods wholly or mainly manufactured (Class III of the trade returns), of the total exports of Indian merchandise in the same year valued at 160.5 crores, exports of goods wholly or mainly manufactured represented 42.2 crores, or 26.3 per cent of the total (jute 23½ crores, hides and skins tanned or dressed and leather 5½ crores). Indian manufacturing industries have made considerable progress during the past 35 years, but the fundamental characteristics of Indian economy have remained unchanged. India largely exports food stuffs and raw materials, and largely imports manufactured goods.

According to the census of 1921, the total number of occupied persons aged 10 years and upwards in Great Britain was 34,979,000 of which 1,307,000 were engaged in agriculture, and 2,491,000 in the manufacture of metals, machines, implements and conveyances. The total number of persons engaged in the textile industry was 1,293,000 (India 1931, 715,000).

The total number of persons daily employed in Indian factories, (including Indian States) was

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1,596,417 in 1931. Those engaged in the manufacture of metals, machines, implements and conveyances in Great Britain exceed the total number of our factory workers.

Factory workers form less than 1 per cent of our total population.

The proportion of those engaged in industries is of course higher, but it is small as compared with those engaged in agriculture —

Earners and working dependents engaged in Agriculture and Industry in 1931

	Agriculture per cent	Industry per cent
India	67.1	10.0
Assam	83.8	7.5
Bengal	68.3	8.8
Bihar and Orissa	77.6	6.6
Bombay	65.9	11.9
Burma	69.1	10.7
C P and Berar	80.6	7.9
Madras	48.6	8.8
N W F P	61.7	12.6
Punjab	60.5	18.8
U P	75.1	11.2

In India as a whole 10 per cent of earners and working dependents are engaged in industries. But of this 10 per cent, not less than 9 per cent are hand workers. The proportion for the Punjab shown in the table is 18.8 per cent, which is higher than that for Bombay. But the Punjab is not an industrial province. Excepting Assam and the North West Frontier Province, it has the smallest number of

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factory employees (49,549) in British India But the Punjab has more cottage workers

The meaning of these figures should be plain The typical worker in the industrial countries of the West is an employee, the typical Indian worker, whether in agriculture or industries, is a self employer, working on his own account

The largest single class of agricultural workers in the Punjab is that of the peasant proprietor, 19 lakhs as compared with 6 lakhs of agricultural labourers and 11 lakhs of tenants (males alone) The peasant proprietor owns his own land. Can we apply the Marxian theory of exploitation to him? Who exploits the peasant proprietor? Here is a man working for no master, but living perilously near the margin of starvation, if not actually below it Has he any interest whatever in the creation of surplus value by the factory worker?

THE MONEY-LENDER

Class war is a part of the Marxian system It is a product of unsatisfactory relations between the master and his workmen, or of exploitation The scope for preaching class war in a province where the majority of cultivators own their own lands is limited But it may be still argued that the peasant proprietor does not enjoy the full value of the products of his labour Even when he works on his own account, he is dependent on the money-lender for the supply of capital Here is capital exploiting

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labour. Without turning the worker into a wage slave, the capitalist may subject him to merciless exploitation

The demand for the total cancellation of agricultural debts has been put forward by socialists in the Punjab and other Provinces. The demand is based on the doctrine of class war. The interests of the borrower are in a sense opposed to those of the lender. The Marxist espouses the cause of the exploited party and endeavours to create class consciousness by formulating demands which bring the borrower into direct conflict with the lender.

Is all interest exploitation, theft, robbery ?

The money lender, let us suppose, makes a loan to the cultivator in money. But the money is turned into seed, manure, plough-bullocks, tools and implements. While interest is reckoned as a percentage on the money lent, it is really the price of capital. Money is turned into capital when it is used productively.

Suppose private money lending is completely suppressed. Will the cultivator be able to dispense with capital ? No. Never. Even in a socialist regime he will need to be financed. The State will lend him machines, and make advances in other forms. Will the cultivator in a socialist economy enjoy the use of capital *gratis* ? This is out of the question. He will always have to pay for the use of capital. He will never be able to claim the whole product of

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labour This point is made absolutely clear in *The A B C of Communism*¹ —

"It is very often said that in the society of the future every one's right to the full product of his labour will be established Every one gets what he produces This is incorrect, and could never be carried out Why? If all secured all of what they had produced, it would never be possible to develop, extend and improve production A part of the labour performed must always be utilized for extending and improving production "

Payment made for the use of capital, therefore, is not theft, robbery or exploitation, except when it is excessive

In this respect the difference between the present system and a socialist regime is just this under socialism the capital needs of the peasant will be met by the State, and interest will accrue to the State, while under the present system interest accrues to the private owner of capital, since private ownership of capital is permitted The point is of some importance Abolition of private ownership of capital does not abolish the payment of interest by the cultivator (interest always regarded as a price paid for the use of capital goods) For if the socialist State made no charge for the services of capital, capital would gradually be consumed and could not be replaced,

¹ *A B C des Kommunismus*, Hamburg, 1921 P 61

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which would restrict production, and make progress impossible. From the point of view of the peasant borrower there is no difference at all, except when the money lender charges exorbitant rates of interest.

There was a time when the cultivator was wholly at the mercy of the money-lender and mercilessly exploited. But such is no longer the case.

In his dealings with the money-lender the peasant enjoys all the protection that legislation can give him. In the course of his evidence before the Agricultural Commission Mr M. L. Darling said "As to (b) the agriculturist cannot now be evicted by a civil court without the intervention of the revenue authority, his plough, cattle, implements and seed cannot be attached, if he is sued, interest charges can be examined and, if necessary, reduced, and when he dies, his ancestral land is not liable for payment of his debts unless they are charged upon it. These privileges have almost the effect of a cactus hedge round the small holder and his holding and make recovery for the sowkar extremely difficult." ²

More recently, speaking in the Assembly, Mr Darling repeated that "in the Punjab the position of the agriculturist was very strong *vis à vis* the money lender." This is a statement of fact, and this is as it should be. No one can accuse Mr Darling of being an agent of capitalists because he is "one of

² Vol VIII, pp, 592-3

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those who hold that legislation imposing restrictions on the money lender is not the right way to deal with the problem "

Are rates of interest charged by money-lenders exorbitant ?

We have to consider not the gross return but the net return to money-lenders. What are the rates of interest charged by cooperative credit societies, and are money lenders' net rates of interest substantially higher ?

Rates of interest charged by cooperative credit societies are shown below ³

Rates charged to cultivators by primary societies per cent

Ajmer Merwara	Generally, 9 to 12
Assam	15½ or 18½ (generally 12½ in the case of old societies in the Assam Valley)
Bengal	7½ to 15½
Bihar and Orissa	12½ to 15½
Bombay	9½ to 12½
Burma	15
Central Provinces	Generally, 12
Madras	9½ to 10
Punjab	9½ to 12½
United Provinces	15

Money lenders' gross rates are higher than the rates charged by coöperative societies, but these rates are of the nature of insurance against risk. Stipulated rates of interest are different from realised rates. This is shown by figures (based on files of decided

³ Report of the Central Banking Enquiry Committee, p 129

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cases in law courts) quoted in the report of the Indian Central Banking Enquiry Committee ⁴

	Stipulated rate of interest	Realised rate of interest on assump- tion that decreed amount was realised
<i>Delhi</i>		
Serial No	Per cent	Per cent
1	18	9.7
2	24	7.8
3	6	3½
4	21	9.3
5	21	16.1
6	75	2
7	37½	8.4
8	37½	6.9
9	37½	26½
10	75	67 (exceptional case)
11	37½	15.8
12	37½	17.4
<i>Ajmer Merwara</i>		
1	37½	<i>Nil</i>
2	37	18.7
3	15	12.1
4	15	11.2
5	15	7
6	21	18.8
7	25	<i>Nil</i>
8	18½	9.3
9	15	7.9
10	12	1
11	15	<i>Nil</i>
12	18	5.3
13	75	9.3
14	100	13.7
15	150	12.1
16	24	12.3

⁴ I Report of the Central Banking Enquiry Committee,
p. 82

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Serial No	Stipulated rate of interest	Residual rate of interest on as- sumption that deducted amount was repaid
	Per cent	Per cent
1	11 (roughly)	7
2	50	Nil
3	25	7 1/2
4	37 1/2	10 9
5	18	11 9
6	30	19 7
7	24	10 5
8	15	5 3
9	70 (roughly)	7 9
10	50	1 8
11	18	1 1/2
12	33	1 1/2
13	37	8 3
14	16 (roughly)	9 1/2

Reference may also be made to the results of enquiries made in certain provinces. The Bihar Report states "An average profit of 10 per cent is probably about right, the smaller men getting as much as 12 per cent, while the very substantial get only 9 per cent on their capital" ⁵

The Income Tax Officer, Ajmer, emphatically said that "the full amount due is *never* recovered" by the money lender. The Registrar of Cooperative Societies, Ajmer, was of the opinion that the money-lenders received a "net return of 6 per cent or one third the rate of interest they charge," due allowance being made for the risks involved, and management and other expenses ⁶

⁵ *Report* p 36

⁶ *Report for Centrally Administered Areas*, p 105.

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The Income Tax Officer, Peshawar, estimated the *net* return of the village money lender at 12 per cent. Mufti Abdul Latif, Munsiff in the city of Peshawar, stated "The village money lender in the plaint claims rates of interest varying between 12 and 36 per cent but the courts seldom award him more than 18 per cent. This is not a net return on his capital. Taking the cost of all the proceedings necessary for realising money, I am of opinion that his net return would come to about 12 per cent. The bigger money lenders' rates are generally lower, and the return they get is, I believe, between 9 and 12 per cent."⁷

The Punjab Provincial Banking Enquiry Committee estimated the net rate of interest at 12.13 per cent, taking into consideration both secured and unsecured debts. "We may say that with the more confidence", wrote the Committee, "since the return for the 5,998 money-lenders taxed in 1928-29 gives a net return of 13 per cent."⁸

The money lenders' net return of 12.13 per cent does not seem excessive when the rates of interest charged by cooperative credit societies range from 7½ to 18½ per cent in different provinces, which may yield an average equal to the money-lenders' net return. If the money lender exploits the cultivator, so do cooperative credit societies. And he will con-

⁷ *Report for Centrally Administered Areas*, pp. 110-11.

⁸ *Report Punjab*, p. 137.

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tinue to be so exploited by cooperative credit institutions, in socialist *raj* the rate of interest that he will have to pay in the beginning may well be higher than at present, owing to the necessity of building up capital resources. But this is no exploitation at all.

The labour theory is of no help in understanding the rural rate of interest, but it is explained by actual economic conditions. Apart from land, which the non-agriculturist money lender cannot grab in the Punjab, the other assets which the great majority of cultivators are able to offer as security for a loan are of little value. In many parts of India the money lender is the sole source of credit for the cultivator, and very often the money lender himself suffers from shortness of capital. There is a scarcity of capital in rural areas, which explains the high marginal utility of capital, and the consequent high rate of interest.

The present situation is a dead-lock. One recognizes that the peasant is unable to repay debts. The fall of prices has ruined him. 'The agriculturist had all over the country declared a moratorium himself,' to quote Mr. Darling again, "without waiting for legislation which other countries had adopted." The realization of debts is extremely difficult. Decrees may be obtained through civil courts, but in many cases the decrees are worth little or nothing.

Debt conciliation is being tried in the Punjab and other provinces. It is expected that debt conci-

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liation would on an average reduce debts by 40 per cent

Has legislation solved the problem of agricultural indebtedness? No But debt cancellation is no remedy It will create more difficulties than it will solve

CO OPERATIVE CREDIT

Mr Darling "would have despaired of a permanent solution had not the cooperative movement shown the way " The coöperative movement may solve the problem in a thousand years , at present it is doing very little to reduce indebtedness

The money lender is indispensable in the villages The agriculturist cannot do without loans , he has to borrow (if for no other purpose) to pay the land revenue and water rates But a very small proportion of agriculturists borrow from cooperative credit societies This is shown by the following table compiled by the Indian Agricultural Commission —

Proportion of members of agricultural credit societies to families in rural areas	
	Per cent
Ajmer Merwara	15 0
Assam	2 9
Bengal	3 8
Bihar & Orissa	3 1
Bombay	8 7
Burma	3 7
C P and Berar	2 3
Coorg	36 2
Delhi	11 5
Madras	7 9
N W F P	0 2
Punjab	10 2
U P	1 8

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In the major Provinces not more than 5 per cent of the agriculturists on an average borrow from co-operative credit societies. The proportion is highest in the Punjab, but even in the Punjab at the present time, probably 85 per cent of the agriculturists do not receive loans from co-operative credit societies, and some, if not many, of those who do, also borrow from the *mahajan*.

This is a fact of fundamental importance. It must not be lost sight of when we discuss debt cancellation, or initiate a war against the money-lender, or deliberately set out to create class consciousness among borrowers. Sentimental socialist demands will not bring socialist *vaj*, just as sentimental advocacy of *gur*, *charkha* and *khaddar* is no means of reconstructing India, politically or economically. The force of sentimental appeals is soon exhausted, and then follows a period of disillusionment and violent reaction. Political India is just now passing through such a period, following on the unsuccessful termination of the spiritual war that India waged for independence.

If debts are cancelled, money lending would be destroyed. Who is to take the place of the money lender?

The socialist cannot say "I do not care." The peasant has to obtain credit somehow. If the most important existing credit agency is to be destroyed,

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some other agency to replace it must be simultaneously created—in the interest of the peasant

The plain fact is that the cooperative movement in India is a failure. Some time ago it was thought that the development of cooperative credit would, in a few years, make the money-lender superfluous. These hopes have not been realised, and it is impossible to look forward to any extension of coöperative credit during the next five or ten years which may enable us to dispense with the money lender.

In these circumstances the campaign to destroy money lending root and branch is a senseless campaign. It is not meant that the money lender should be permitted to exploit the peasant. No. All reasonable safeguards should be provided to insure honest dealing between the borrower and the lender. But no action should be taken which may have the effect of drying up the channels of credit.

We cannot wait for relief from indebtedness until socialist *raj* comes. We cannot cancel all debts without destroying the principal source from which the cultivator obtains credit. What are the correct demands to formulate regarding indebtedness?

There is no country in the world where peasants do not borrow. And there is no country in the world where peasants have not suffered serious injury on account of the fall of prices, though we have undoubtedly suffered more than other countries.

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Almost everywhere the State has come to the rescue of the peasant, assisting him with loans and taking upon itself some part of the burden of his debts. It is estimated that the income of American farmers (U. S. A.) fell from 11,000,000,000 dollars in 1929 to 5,000,000,000 dollars in 1932. Their total debts to banks in 1929 were estimated at 12,224,000,000 dollars (3400 crore rupees), on which the annual interest charge of over 600,000,000 dollars (165 crore rupees) had to be paid. "To pay this sum out of a total income of 11,000,000,000 dollars was possible, to pay it out of 5,000,000,000 dollars was out of the question without starvation."²

The American Government did not let the peasant starve and it did not cancel debts. A Farm Credit Association was formed in March 1933, and it was through this Administration and the agencies created by the Farm Credit Act that farm credits spread out until they reached the smallest farmer. The Farm Loan Act was amended to make it possible for the Federal Land Banks to issue farm loan bonds up to an aggregate amount of 2,000,000,000 dollars for the purpose of making new loans, or for purchasing mortgages, or exchanging bonds for mortgages. Interest at 4 per cent per annum was guaranteed by the Government. Where no National Farm Loan Association existed provision was made for direct

² *The Roosevelt Illusion* by Burns and Roy. (Martin Lawrence), 1934, p. 19

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loans to farmers under the authority of the Farm Loan Commissioner. The Farm Loan Commissioner was given a considerable sum through the Reconstruction Finance Corporation for direct loans to farmers for particular objects. Another big sum was made available to help agricultural districts to re-finance or reduce their indebtedness on sound improvement projects etc.¹⁰

Between 1931 and 1934 the Union of South Africa spent no less than £ 33,000,000 (44 crores of rupees) on relief for 100,000 farmers, including direct loans to farmers and cancellation of debts owed by them to cooperative credit societies.¹¹

Other examples of State relief to farmers in the depression could be easily given.

DEMAND FOR STATE RELIEF

Is there any reason why farmers and money-lenders should not combine in the Punjab to make a joint demand for State relief? Is there any reason why the whole cost of debt relief should be thrown on the money lender?

There is abundant justification for State indebtedness relief in the Punjab, for Government dues are a direct and important cause of debt. I emphasized this aspect of the question when indebtedness legisla-

¹⁰ *The Future Comes* by Beard & Smith, 1933 (Macmillan, New York) p 89 et seq

¹¹ *Weltwirtschaftliches Archiv*, Kiel Nov 1935, pp 404-06

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tion was under discussion "The money-lender is wicked" I said, "But perhaps the Government is a little more wicked Agriculture in the Punjab deserves relief from indebtedness At the same time it deserves relief from the heavy exactions of the Government When the question of indebtedness is discussed, the whole system of land taxation must be re-examined" (*Tribune*, May 11, 1934)

That was an important point, but nobody took the slightest notice of it The sponsors of the debt legislation were playing an astute game it is safer to hold the money lender responsible for all the ills of the cultivator than the Government One may heartily curse the money lender, but cursing the Government is not unattended with risk—one's chances of becoming a Minister or holding other lucrative jobs are jeopardized As for the Hindu money lender and his friends in the Punjab Council, the only aspect of the question which interested them was the communal aspect Dominated as they wholly were by communal passion, and possessing as they did little or no political foresight, they fell into the trap which had been laid for them

Socialists are not communalists, therefore, they may regard the question of debt relief as a purely economic question Socialists are not title hunters and job seekers, therefore, it is a matter of indifference to them whether their solution of the problem pleases or fails to please the Government

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To sum up (1) Reform of the whole system of land taxation is the first step towards the solution of the problem. Cancel all debts, but leave Government dues unchanged. In a few years debts would pile up again. (2) Demand for State relief of indebtedness is a just demand. (a) it is fair both to the peasant and the money lender, (b) it removes the causes of tension between the borrower and the lender, (c) it will mobilise credit, which is a point of the greatest importance, considering that the peasant must have credit and that the money lender is the principal source from which he gets it, and (d) Government must bear a part of the cost of debt relief, since Government dues are an important cause of debt.

GOVERNMENT DUES AND DEBT

The connection between land revenue and debt is shown by the following 'touching story' published by the *Civil and Military Gazette* of Lahore. The story formed part of a statement, obviously originating from an official source, in which satisfaction was expressed at the regular payment of the land revenue in 1936.

"A touching story of the sense of honour felt by the Punjab peasant comes from the interior where a person owed the Government Rs 7. Though he really was unable to pay and could not borrow from the local *sahukar*, he insisted on honouring the debt by parting with a small ornament which his child

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was wearing at the time the demand was made by Government revenue officials¹²

This story is supposed to pay a compliment to the sense of honour felt by the revenue-payer in the Punjab. It is not enough that Government land revenue policy deprives women and children of their ornaments. Government must have their little joke as well at the expense of their helpless victim.

What would happen to a peasant who was found lacking in his due sense of honour? He would be marched off to the *thana*, where his slumbering sense of honour would be very quickly awakened by police officials. The number of processes issued against defaulters tell their own tale. 26,754 processes were issued in 1933-34. These processes were for arrests (15,295), for attachment of moveable property (9,089), for sale of moveable property (2143), and other objects.

Co operative credit societies regularly lend money every year for the payment of land revenue. In the year 1932-33 the loans given by co operative credit societies for the payment of land revenue exceeded one third of the total loans made by the societies for all purposes in Lyallpur, Multan and Montgomery¹³. It would seem that one of the principal objects of co operative credit societies is to help Government in the realisation of land revenue.

¹² C & M Gazette of Lahore Sept 6, 1936

¹³ See Report on the working of Co operative Credit Societies in the Punjab, 1932-33, p 30

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1929 30 to 1933 34 the average remission of land revenue, taking all districts together, was 6 per cent¹³

These figures illustrate the helpless condition of the peasant proprietor, and the rigidity of the tax-system. There is scarcely any recognition of the ruinous effect of the agricultural revolution on Indian peasants. It would seem as if India has suffered no injury at all as the result of over production, heavy reduction in agricultural costs in Western countries which has enormously increased their competitive power, alteration in the terms of foreign trade to our disadvantage, the rise of national economies, and the contraction of world trade, including the heavy fall in our own exports of agricultural produce. The Indian peasant is indeed wonderful. One may justly compliment him on his remarkable recuperative power, and the sense of honour which compels him to pay Government dues, not out of his income, which has disappeared, but by selling the ornaments of his wife and children.

Our agricultural costs are inelastic, chiefly on account of the inelasticity of Government dues. That Government dues form a heavy item of agricultural costs may be shown by an example borrowed from the *Punjab Farm Accounts*.

¹³ *The Punjab Land Revenue Report* for 1933 34 gives remissions by Districts Table IV

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<i>Farm of 27 Acres Lyallpur District Baran Cultivation</i>		<i>Farmed on</i>
Total expenditure	Land Revenue and Water Rates	Proportion of Government dues to total expenditure Per Cent
Rs	Rs	
1926-27	926	16
1927-28	915	41
1928-29	927	15
1929-30	971	13
1930-31	812	40
1931-32	709	16
1932-33	556	51
1933-34	573	48

The average for all 8 years is 45 per cent, the average for the last 3 years is 48 per cent

Such heavy taxation of agriculture is unknown in any civilized country. The water rates in the Punjab are frankly levied as a tax—that is, they produce annually over 2 crores of revenue for general purposes after meeting the cost of the Irrigation Department.

THE NEW SYSTEM OF ASSESSMENT

New principles of assessment have been introduced in the Punjab, which will be copied in other Provinces. These principles are described as a revolutionary change in the land revenue system of the Punjab. In the course of a press interview the Revenue Member of the Punjab Government said: "Never since the advent of the British, or for the matter of that under any rule, has such a big con-

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cession been granted to zemindars in the Punjab " ¹⁶

We learn that the credit for the new system wholly belongs to His Excellency the Governor of the Punjab, who worked out all the details. The Finance Member deserves credit for acquiescing in the new policy "which means the giving up of a substantial amount of revenue in order to ameliorate the condition of the zemindars "

Let us consider how the new policy will 'ameliorate' the condition of zemindars

The land revenue is supposed to be 25 per cent of '*khalis munafa*' (I prefer the Urdu term as it is more expressive than 'net assets') It must not exceed 25 per cent of *khalis munafa* under the new system, unless the law is changed

Remissions of land revenue will be granted according to the difference between 'commutation' prices, given in a schedule, and current prices. This is the essence of the new policy. To quote from the Government *communique* on the subject "However great the difference may be, Government will give a corresponding remission. While Government will be bound not to exceed the maximum rates as fixed they will give the revenue payer the full benefit of the fall in prices, however great that may be "

It is assumed that when remissions are granted proportionately to the fall in prices, the land revenue realised will be the same 25 per cent of '*khalis*

¹⁶ C & M Gazette Lahore Feb 1, 1935

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munafa' as before But this is mathematically impossible It will be more correct to say that the land revenue under the new system will be about 100 per cent of '*khalis munafa*', it may even exceed '*khalis munafa*'

Let us suppose that the gross income of a farm is Rs 100, and costs of cultivation, including wages for the labour expended by the peasant and his family on the land, but not including the land revenue, are Rs 70, so that the '*khalis munafa*' of the farm is Rs 30 The figure of costs is moderate Actually costs of cultivation may absorb, in great many cases, 75 per cent of gross income, or even more

Out of a '*khalis munafa*' of Rs 30, Government is entitled to take Rs 7.8 as land revenue, or 25 per cent

Now suppose prices fall 40 per cent, so that the gross income of the farm is reduced to Rs 60 If costs of production fall in the same proportion as prices (40 per cent), or to Rs 42, '*khalis munafa*' would amount to Rs 18 A remission of land revenue of 40 per cent would reduce Government's share of '*khalis munafa*' to Rs 4.8 This sum (Rs 4.8) is 25 per cent of the '*khalis munafa*' of Rs 18, as Rs 7.8 was 25 per cent of Rs 30

But even in this exceptional case (exceptional because prices and costs are assumed to fall to the same extent) the burden imposed on the zemindar is heavier than before It may be easy to pay a tax of

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25 per cent when '*khali munafa*' amounts to Rs 30, The same tax becomes more burdensome when it has to be paid out of a smaller net income

But we have absolutely no ground to assume that when prices fall in a given proportion costs of cultivation fall in the same proportion Present prices are about half of prices in 1927-28 How much have costs fallen ?

I put this question to zemindars in open meeting at Kirari A peasant said "*Kharch pure le pure*" Costs of cultivation have fallen but probably less than 20 per cent A main item of cost is the charge for canal water The reduction in this charge does not exceed 12 15 per cent

For the sake of argument let us assume that when prices fall 40 per cent costs of cultivation decrease by 20 72 per cent

A fall of 40 per cent in prices will reduce the gross income of the farm in our illustration from Rs 100 to Rs 60, and a fall of 20 72 per cent in costs of cultivation will reduce costs from Rs 70 to Rs 55 8 '*Khali munafa*' which was Rs. 30 before the fall of prices, is reduced to Rs 4-8

It is important to note that the fall in '*khali munafa*' is 85 per cent as compared with the 40 per cent fall in prices

The land revenue realised by Government (allowing for 40 per cent remission) will be Rs 4-8, or it

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will be equal to '*khalis munafa*' (100 per cent of 'net assets')

With the help of simple formulae we may easily calculate the percentage decrease in '*khalis munafa*' and the proportion of the land revenue to '*khalis munafa*' when costs fall to a smaller extent than prices. The statement given below reveals the real nature of the remissions in the new system.

It is assumed that prices have fallen 40 per cent and that the land revenue demand has been reduced in a like proportion

Percentage decrease in costs of cultivation	Percentage decrease in <i>khalis n unafa</i> '	Proportion of L R to <i>khalis munafa</i> '
40 00	40	25
25 00	75	60
20 72	85	100
18 57	90	150

Let us take the last case. Suppose while prices fall 40 per cent, costs decrease 18 57 per cent (which is approximately the present position). Gross income falls from Rs 100 to Rs 60, costs from Rs 70 to Rs 57, and '*khalis munafa*' from Rs 30 to Rs 3. If the remission of the land revenue is 40 per cent (according to the fall in prices), the land revenue realised will be Rs 4 8, which is 150 per cent of '*khalis munafa*'.

Sometime ago a resolution was moved in the Punjab Council asking for the appointment of a committee to investigate, among other things, the behaviour of agricultural costs in the Punjab when

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prices are varying The committee has not been appointed, and will never be appointed with the terms of reference suggested by the mover, Mian Nur Ullah In regard to variation in costs, only one conclusion is possible—that when prices fall, costs of cultivation fall in a much lower proportion than costs This one fact is sufficient to condemn the new system of assessment as a fraud

When both the gross value of the produce (G) and costs (C) are varying, but the rate of change is unequal (that is, the percentage fall in costs is less than that in gross income, or c is less than g), and it is given that the land revenue (L) is one quarter of net assets, the percentage reduction in land revenue which would give Government its 25 per cent share of net assets (X) may be found with the help of the formula given below

$$X = 100 - \frac{100G - Gg - 100C + Cc}{4L}$$

For example, if the percentage change in G and C is equal, or g and c are both 40, 40 per cent remission will give the Government 25 per cent of net assets. If, on the other hand, $g=40$, and $c=25$, the remission must be 75 per cent so that the land revenue demand does not exceed 25 per cent of net assets

What have the peasant proprietor's miserable plight, the inelasticity of agricultural costs, the rigidity of land revenue collections, the inadequate nature of the remissions granted, and the palpable dishonesty

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of the new principles of assessment to do with "Indian socialism" ? I claim that they indicate the lines on which socialists in the Punjab, at any rate, should work. The chief problem here is not the exploitation of the peasant proprietor by the money-lender. That is at an end. Further, the money-lender enjoys little political power. He does not govern the country. Socialist fury directed against the money-lender is senseless. But the organisation of peasants to secure the recognition of their just demands in regard to the land revenue and water-rates is of the greatest importance. These demands are

(1) That the land revenue system be abolished, and agricultural incomes subjected to a graduated income-tax, with an exemption limit

(2) That water-rates be reduced, so that they cease to be levied as a tax

CHAPTER III

CLASS STRUGGLE *versus* STRUGGLE FOR EXISTENCE

I HAVE said above that a dependent country struggling to become free has very little use for class war. The subject may be examined further. The theory of class war is the product of dialectical materialism, which forms an integral part of the Marxian system of thought. What is dialectical materialism?

Ponderous treatises have been written on dialectical materialism, some of which are the merest trash. The best and the most authoritative exposition of Marxian dialectic is found in a short essay entitled *Der dialektische Materialismus* by F. Engels.¹ I have relied exclusively on this for the interpretation which follows.

Dialectic is a method of reasoning. Engels distinguished Marxian dialectic on the one hand from the method of the natural sciences, and on the other from metaphysical reasoning. The student of natural phenomena analyses nature, divides natural phenomena and natural objects into distinct classes, investi-

¹ Included in *Die Entwicklung des Sozialismus von der Utopie zur Wissenschaft*. See F. Engels, Karl Radek, *Der Entwicklung des Sozialismus zur Wissenschaft und Tat*, Berlin, 1924. Cited later as *Entwicklung*.

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gates the anatomic structure of organic bodies etc. This method has extended the boundaries of human knowledge, but its defect is that it concentrates attention on details of natural objects and natural phenomena, ignoring their mutual connections and inter relations—it studies them not as things in motion but as standing still, not as things essentially alterable, but as constant, not as things having life, but as dead²

‘ The metaphysical method is as little satisfactory. For the metaphysician, says Engels, things and conceptions are fixed, constant and given objects of investigation. The metaphysician thinks in terms of direct contrasts, he says, ‘yes’, ‘yes’, or ‘no’, ‘no’. For him a thing either exists or it does not exist, a thing cannot be itself and at the same time also something else. “Positive and negative exclude each other, cause and effect likewise stand in rigid contrast to each other”². This method of reasoning appeals to us, for we say, ‘Is not cause different from effect?’, and we find it difficult to conceive of a thing being itself and also something else. But life is complex, not simple, it is nothing fixed, but alterable and ever altering. He who forgets this, fails to see the inter relations between individual objects, their appearance and disappearance, their condition of rest and movement. he does not see the wood for the trees (*vor*

²*Entwicklung*, p. 25

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lauter Bäumen den Wald nicht sieht) If we change our view point and regard individual things and events as part of a world whole (*Welt-ganzen*), they lose their independence and individuality, what we find is inter dependence and interaction every where, "even causes and effects change places constantly, what is effect just now or here, in another place and later is transformed into a cause, and vice versa" ³

We may take human history as an example Has history any meaning? None to the historian who is concerned with individual events But history acquires a meaning when it is viewed as the outer manifestation of the working of an inner principle So regarded history immediately becomes "the development process of humanity" (*der Entwicklungsprozess der Menschheit*)

Hegel for the first time viewed the whole natural, historical and intellectual world as a process, Engels praises him for that But Hegel was an idealist He did not treat the ideas that his mind conceived as abstract representations of real things and occurrences but taught that things and development were the realisation of some 'Idea' pre existing before the world began Hegel thus turned everything upside down (*Damit war alles auf den Kopf gestellt* ⁴)

Modern materialism, says Engels, "sees in,

³ *Entwicklung* p 26

⁴ *Entwicklung*, p 23

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history the development process of humanity, and it is its task to discover the laws of change⁵

MARXIST INTERPRETATION OF HISTORY

To the Marxist human history is the history of class struggles. The *Communist Manifesto* begins with this statement. The mode of economic production in an epoch and the social order necessarily resulting therefrom, form the foundation for the political and intellectual history of that epoch. It follows that the whole of human history (since the abandonment of the common ownership of land in ancient times) is a history of class struggles between the exploiter and the exploited, the governing class and those governed. Will this struggle ever end, and if so, how? "The struggle has now reached a stage," wrote Engels on 28th June, 1883 (after Marx's death) in his introduction to a new edition of the *Communist Manifesto*, "when the exploited and the oppressed classes (the proletariat) cannot free themselves from the exploiters and oppressors (the bourgeoisie) without freeing the whole society for ever from exploitation, oppression and class struggles." This fundamental idea (*Grundgedanke*), he added, belongs specially and exclusively to Marx.

Dialectical materialism thus interprets human

⁵ *Entwicklung*, p. 29

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history as a history of class struggles. This is the leading idea of Marxian dialectic.

What led to the discovery of this law of human society, class struggles?

In the year 1831 there took place at Lyon the 'first workers' rising. It was followed by the first national workers' movement, which culminated in the Chartist agitation in England. "These new facts," says Engels in his essay on *Dialectical Materialism*, "compelled a re-examination of the whole of history, and then it appeared that *all* (italics Engels's), excepting only very ancient society, was the history of class struggles, that these warring classes of society were the outcome of conditions relating to production and transport—in one word, of the economic conditions of their epoch, that the economic structure of society is the real foundation on which rests the whole super-structure of legal and political institutions, and which finally explains the religious, philosophical and other conceptions of every historical epoch."⁶

Marx further revealed the secrets of capitalistic production—the creation of surplus value. He showed that the appropriation of unpaid labour was the fundamental form of capitalistic mode of production, which leads to the exploitation of the labourer. "These two great discoveries," says Engels in concluding his essay on *Dialectical Materialism*, "the materialistic

⁶ *Entwicklung*, p. 31

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conception of history and laying bare of the secrets of capitalistic production through surplus value, we owe to Marx. With them socialism became a science "7

Such is scientific socialism and such are the two main pillars on which it rests. We are not concerned here with surplus value. But the interpretation of history as a history of class struggles deserves careful examination. If dialectical materialism stands the test of criticism, if we find that class struggles, caused by the mode of economic production, really and wholly explain the rise and downfall of nations, if no other more fundamental principle is found to be at work in history—then we must prepare for the inevitable. And we may hasten the advent of socialism by generating class consciousness, fomenting class hatred, and proclaiming class war.

STRUGGLE FOR EXISTENCE

Is the whole of Indian history of pre British days—I am particularly referring to the successive waves of conquest which swept over India from across the North West—really and wholly explained by class struggle, that is, struggle between the different economic classes?

I doubt it. Even the most fanatical Marxist must admit that religion has played an important role in Indian history. Even at the present time the pernicious influence of religion is felt in Indian

⁷ *Entwicklung*, p. 33

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politics, Indian history would take a different course if the differences created by religion could be obliterated and a united Indian nation came into being. No Indian nation exists at present (I say this with respectful apologies to Indian leaders who maintain the contrary)

But let us ignore religion and the history it has made and is making. Is there no principle at work in history except that of class struggles?

The answer is 'Yes'. This is the Struggle for Existence. It is of much wider application than class-struggles. The struggle for existence and survival of the fittest (the word 'fit' has no moral significance in the biological sense) apply to entire creation. Every thing has evolved, beginning with the primæval nebula and ending with man.

Evolution has nothing to do with spirituality. It is a materialistic principle. Evolution includes the whole universe in its scope, it is the theory of the development process not only of humanity, but of all living and non living things. It is dialectical materialism *par excellence*.

We have then two materialistic dialectics, of Marx and Darwin. They stand opposed to each other. Which of the two is more worthy of acceptance?

"What changes has modern natural science been able to introduce in Marx-Engels's conception of the

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world?" asks Hermann Duncker⁸ And his answer is 'practically nothing' (*So gut wie nichts*) That would be the answer of every good Marxist But the fact remains that the biological struggle for existence has made an end of 'class-struggles' as an interpretation of history

The test of every scientific theory is whether it explains the facts Einstein's relativity was only accepted when it had been confirmed by observation There is no reason why the same test should not be applied to Marxian dialectic

Now there are many facts of history which are explained by the struggle for existence, but not by class struggles Let me give a few examples

Mussolini has made a bit of history History is full of similar instances—unprovoked aggression and ruthless conquest in the interest of the victor The British are in India for the good of India, but Mussolini did not go to Abyssinia primarily to civilise the natives Mussolini is no hypocrite Italy wants raw materials, markets for the products of her industries, and outlets for her rapidly growing population She was shabbily treated by the Allies at the end of the Great War, but by the force of her arms she has carved out a colonial empire for herself The Italian conquest of Abyssinia cannot be interpreted by the wildest stretch of imagination as an instance of class

⁸ Introduction to *Entwicklung* etc., p. 5

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struggle, it is one of countless examples of the struggle for existence and survival of the fittest

Britain's relations with Italy have 'deteriorated' Britain is feverishly re-arming, which, however, is not directed against anybody—it is only a gesture of peace and goodwill, like Mussolini's 'forest of bayonets' Now there is a conflict of interests between British labour and British capital Let us assume that the British proletariat, fully accepting the Marxian view of class struggle, organises itself to overthrow the bourgeoisie and to establish a class less society in Britain Whatever the outcome of this class war, it must weaken Britain For, supposing for the sake of argument, Mussolini's 'forest of bayonets' was not exactly a gesture of peace, but meant what a 'forest of bayonets' ordinarily means, Mussolini, who does not subscribe to the doctrine of class war, may not choose to wait until the British proletariat had emerged triumphant from the civil war Long before the civil war was over, the British Empire might disappear

The Marxist would probably admit that such might conceivably be the result of class war in Britain But he will insist that wars are the inevitable result of the capitalist system of production Well, then, let us assume that the whole world has turned socialist, that in every country a class less society has been brought into existence, or that the world proletariat has freed itself for ever from the exploitation and oppression of the bourgeoisie by freeing

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the whole human society for ever from exploitation, oppression and class struggles

Will there be an end of war then ?

No Class struggles may disappear, but the struggle for existence will remain And the struggle for existence is the root cause of war

The Marxist may have an answer even to that He may argue that when world socialism comes, the whole human society will become one great family of workers, that we shall all live together as brothers, that a reconstituted League of Nations will take over the government of the whole world as a single unit, planning world production and distribution and equalising wealth and income in all parts of the globe All this is certainly possible, but human nature must first be radically transformed

Frankly, with my limited intelligence, I am unable to conceive of a class less world society coming into existence in the near future And what is the good of a class less world society if it will come only sometime before the end of the world ?

The growth of numbers in different countries can never be equalised, and unequal rates of growth must give rise to the struggle for existence, even if it could be temporarily suppressed

In any case ideals which for all practical purposes are unrealisable, have little value for India in her present dependent political situation

The struggle for existence is a fact In its

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national aspect the struggle for existence is human history. And in the struggle for existence among nations, victory belongs to a strong and united nation with the will to survive, not to a disunited people, whose economic classes are engaged in relentless civil war. That, particularly for a dependent country struggling to become free, is the path of eternal slavery, destruction and annihilation.

What was the attitude of Marx and Engels towards the struggle for existence?

Darwin's *Origin of Species* appeared in 1859. On December 19, 1860, Marx thus referred to the book in a letter to Engels:

"Although it is developed in crude English style, this is the book which contains the basis in natural history (*naturhistorische Grundlage*) for our view."⁹

In a later epistle, dated June 18th, 1862, Marx is more critical:

"I am amused by the statement of Darwin, whom I am reading now," Marx wrote, "that he applies the Malthusian theory to plants and animals also, whereas the whole point of Mr Malthus lies in the fact that he does not apply his theory to plants and animals, but only to men—with geometrical progression—as opposed to plants and animals."⁹

It is difficult to understand Marx. It is not possible to quarrel with Darwin because he found

⁹ *Marxism and Modern Thought*, by N I Bukharin and others, London, 1935, p. 193.

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that the law of over production, first stated by Malthus in connection with mankind, which gives rise to the struggle for existence, "applies with manifold force to the whole animal and vegetable kingdoms" Did Marx mean that the law of over-production did not hold true of plants and animals ?

Engels vehemently protested against the transference of theories from organic nature to history. In a letter to P. Lavrov he said

"The whole of Darwin's teaching on the struggle for existence is simply the transference from the social sphere into the sphere of nature of the teaching of Hobbes on *bellum omnium contra omnes* (the war of all against all) and the bourgeois economic teaching on competition together with the Malthusian theory of population. Having made this piece of jugglery, (the unconditional truth of which I dispute, particularly so far as the Malthusian theory is concerned) they again transfer the same theories from organic nature to history, and then declare that they are proved to be true as the eternal laws of human society. The childish nature of this procedure is all too evident, no comment is necessary" (*Die Kindlichkeit dieser Prozedur springt in die Augen, man braucht kein Wort daneben zu verlieren*)

According to Engels there is no struggle for existence in human society because man does not merely gather the means of existence but produces

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them That sets man free from the struggle for existence—a truly remarkable idea! Italians may have produced all their means of existence within their own country and spared Abyssinia all the horrors of war and conquest

Engels might have taken a less prejudiced view of the struggle for existence if he, like Marx, had not been obsessed with the idea of class struggle "The view of past history as merely a series of class struggles suffices," he wrote, "to show the conception of the same history as a weak variation of the struggle for existence in all its shallowness" (*in ihrer ganzen Seichtigkeit erscheinen zu lassen*¹⁰)

Engels viewed the struggle for existence and class struggle as two independent principles, with two independent spheres of operation—the one regulated organic nature and the other human society

In his speech on Marx's grave (1883) Engels said "As Darwin discovered the law of evolution of organic nature, so Marx discovered the law of evolution of human society" ¹¹

According to Darwin, on the other hand, man, as an animal and as a part of organic nature, is subject to the law of organic evolution, i.e., over production, struggle for existence and natural selection Because there is over production, there is the struggle for

¹⁰ *Friedrich Engels, eine Biographie*, by Gustav Mayer vol II the Hague 1934 p 320

¹¹ *Die Entwicklung des Sozialismus zur Wissenschaft und Tat* Berlin, 1924, p 31, n

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existence, because there is this struggle for existence, there is natural selection. One may regret the tendency of mankind to increase more rapidly than the means of subsistence (broadly conceived as material requisites of well-being), "But," to follow Darwin, "as man suffers from the same physical evils as the lower animals, he has no right to expect an immunity from the evils consequent on the struggle for existence"¹² The result of natural selection is the progress of civilisation. The attendant evils of the struggle for existence and natural selection are well-known. The whole process, in the case of man, as in that of lower animals, is unintelligent and heartlessly cruel. It has led to the extinction of races¹³ It explains the long serfdom of Hindus and their infinite sufferings in history, equalled, perhaps, by those of the Jews alone.

The reader may choose between Darwin and Marx. To my mind there is no choice at all. It is perfectly ridiculous to set up the principle of class struggle above that of the struggle for existence, or to claim that man is immune from the struggle for existence, or to interpret all history as a history of class-struggles.

The Marxist tends to over-emphasize class antagonisms. Engels in criticizing Darwin drew

¹² *The Descent of Man*, published by John Murray 1922, p. 219.

¹³ See *The Descent of Man*, chapters V and VII.

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attention to "harmony as well as conflict, war as well as cooperation" in nature Both elements are found in human society

In a sense there is a conflict of interests throughout human society Take a particular country, e.g., India The interests of the peasant are opposed to those of the money lender The money lender, let us say, exploits the peasant, the exploitation being facilitated by the existing economic conditions—the unwillingness of joint stock banks to finance peasants, inability of cooperative societies to meet their requirements, the resourcelessness of the peasant, the rigid realisation of heavy Government dues which compels the peasant to borrow—there is, in short, a great demand for capital, but the supply is inadequate Charging exorbitant rates of interest (to cover risks) is in the interest of the money lender, to pay neither interest nor principal is what the peasant wants Government are chiefly interested in their own revenue, they will not sacrifice their revenue to make things easier for the peasant, and they care less for the money lender Again, under existing economic conditions (the number of cultivators has increased rapidly, while the area under cultivation is practically stationary), the tenant works almost entirely for the benefit of the landlord It is in the interest of the landlord to take his customary share of *batai*, even when the year's cultivation shows net loss for the tenant, while the tenant sees no good reason why he

should pay any rent at all for a free gift of nature. Similarly there is a conflict of interests between factory workers and factory owners, and other workers and their employers. The interests of the producer are opposed to those of the consumer, of the seller to those of the buyer, of newspaper editors to those of their contributors, of students to those of teachers and so on *ad infinitum*. There is scope for starting not one but a hundred class wars, for there is no economic class which has not something or other to complain of, which has no grievances, fancied or real.

But what is the consequence of class war? I am taking an illustration which is not entirely suitable, but it is not without meaning.

As a teacher I would like to draw the highest salary without doing a stroke of work—that is really and truly in my interest. Without having to lecture, one may devote one's entire time to quiet study and reflection on the inner meaning of things. Students, on the other hand, would be glad to receive more instruction and individual attention, without paying any fees at all. Class war begins in a college, resulting in daily strikes and lock outs. This college must in the end be closed—it is not fit to survive in the struggle for existence among colleges. In order to survive, students and teachers must be able to harmonise their conflicting interests, so that discipline is maintained and work is done—the management must see to that.

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The same argument applies to work in fields and factories. It is the duty of the State to produce a harmony of interests where there is a conflict. That is what the State exists for.

There would be little objection to class war if India were a free country and isolated from the world. Then the proletariat might settle its differences with the bourgeoisie without a third party taking advantage of the quarrel for strengthening its own position and ruthlessly exploiting both. But the world is divided into distinct nations or peoples. If not a political unit or nation, India is a geographical unit, and as such, our country is engaged in the struggle for existence with other nations or countries. Even if class war may be interpreted as an internal struggle for existence among different economic classes within a country, there is a larger, wider and more terrible external struggle for existence which embraces the whole of humanity. No country can ignore this wider struggle without endangering its safety. The meaning of class war in a dependent country is still more plain.

UTOPIA OR SCIENTIFIC SOCIALISM?

In explaining Marx's conception of history Sidney Hook incidentally remarks "Had the international proletariat been both sufficiently organized and genuinely Marxist, it might have transformed the

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world war into an international civil war and fought its way to socialism."¹⁴

An international civil war, breaking out simultaneously in all countries, might lead to world socialism. But the situation would be dangerous for particular countries if the civil war was not simultaneously international. And the wider struggle for existence would not end even with the advent of world socialism, for nations would remain, each with its own natural and other resources, its own rate of growth, its own standard of living. Marx indeed said "Workers have no Fatherland" (*Die Arbeiter haben keine Vaterland*). Socialism is essentially international in outlook. But it is impossible to expect that socialism would abolish nationality. The sentiment of nationality is too deep-rooted in the biological struggle for existence; it represents the instinct of self preservation of a geographical or political group.

Marx thought that with the development of the bourgeoisie, of freedom of trade and the world market and with the growing uniformity of industrial production, differences among nations were tending to disappear. And he said

"The rule of the proletariat would make them disappear still more. United action, at least on the part of civilised countries, is the most important condition for setting the proletariat free."

¹⁴ *Towards the Understanding of Karl Marx* by Sidney Hook, London 1933, p. 108.

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"According as the exploitation of one individual by another ceases, will the exploitation of one nation by another cease

"When the conflict of classes within a nation ceases, the hostile attitude of one nation against another will also cease."¹⁵

This is utopia, not scientific socialism

The past 75 years have seen a very great development of world trade and industry. The bourgeoisie has grown, and there is a greater and greater uniformity of industrial output due to methods of mass production. But it must be admitted that the class structure of capitalism to day is materially different from what it was about 1850. Capitalism has produced new classes which are more in alliance with the bourgeoisie than hostile to it. Freedom of trade is gone completely, the world market in many commodities is breaking up, economic nationalism (outcome of the struggle for existence) has put an end to *laissez faire*. If one chooses to shut one's eyes to facts one may still maintain that the world is steadily progressing towards the Marxian ideal of a class less world society. What is evident to me and to most people is that the struggle for existence among nations to day is more bitter than ever before, and that a gigantic conflict is in preparation which will decide the fate of empires. And woe to the

¹⁵ *Das Kommunistische Manifest*, Berlin, 1923, p. 39

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country which, ignoring the necessity of united action at a critical time like this, treads the path of civil war

STRUGGLE FOR SWARAJ IS OUR STRUGGLE FOR EXISTENCE

India's struggle for swaraj has two main economic aspects. It may be viewed as a struggle to secure a better distribution of wealth, in which case it becomes an internal class struggle. Or we may view it as a struggle to change the political and economic system of the country with the object of augmenting national production and everyone's share in it. The question of distribution is not ignored, but there is greater emphasis on production. If the latter view is taken of the struggle for swaraj, our endeavour will be to minimize class conflicts, and to concentrate all efforts on the creation of a united front in the international struggle for existence.

I must not be mis understood. I am not neglecting the unjust distribution of wealth in India. Even in the Punjab, the Province of peasant proprietors, land, the chief form of wealth in an agricultural country, is very unequally distributed. Roughly, in the Punjab, over 58 per cent of the owners own only 12 per cent of the cultivated area, while more than 61 per cent of the cultivated area is owned by 15.5 per cent of the total number of owners. The smallest owners, 17.3 per cent of the total, possessing less than 1 acre of land each, own less than 1 per

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cent of the total cultivable area. They are indistinguishable from tenants, for, to make a living, they have to take land for cultivation on *batai* from bigger owners.

We may start a class war between bigger and smaller cultivating owners, and between the landless and the land owning classes.

In the Zamindari provinces there are greater inequalities still in the distribution of agricultural wealth. But suppose we pool all agricultural land and divide it equally among all cultivators. Will that solve all problems? Will that make the cultivator prosperous? It should, if our chief difficulties arise from a faulty distribution of wealth.

What are the facts? How much land do we possess per cultivator?

[Table

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SUB ORDER 1 (a) CULTIVATION ¹⁶

Total earners principal occupation

Provinces	Males	Females	Total	Net area actually sown in 1930-31 acres ¹⁷	Net area per cultivator, taking males and females together Acres
Bengal	8,393,877	632,152	9,026,029	23,160,300	2 6
Bihar and Orissa	8,310,190	3,176,220	11,486,290	21,470,900	2 1
Bombay	3,150,907	1,023,251	4,174,158	32,620,701	7 3
Central Provinces and Berar	3,201,436	1,881,331	5,088,767	25,361,376	5 0
Madras	7,771,536	2,939,302	10,713,838	31,222,601	3 2
Punjab	3,511,523	172,169	3,713,932	26,683,661	7 2
U P.	11,711,505	2,612,769	14,327,274	35,512,416	2 5

¹⁶ Census of India Vol I, Part II, p 221

¹⁷ Statistical Abstract for British India, 1930-31

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From 21 acres in Behar and Orissa, land per cultivator rises to 72 acres in the Punjab and 73 acres in Bombay. Is the produce of 7 acres or less sufficient to maintain a family in comfort? Not under existing conditions of cultivation.

Cultivating proprietorship, let me say, is the genuinely Indian system of land tenure. The non-cultivating landlord is a product of British rule—one of the blessings of British administration. Under Akbar there were only two partners in cultivation, the cultivating proprietor, and the state. I have said 'cultivating proprietor' for a good reason. Rights of property in land were recognized under the Moghuls, as they were recognized under Hindu Kings. Abdul-Fazal says in the *Ain-i-Akbari*,

در هر آبادی نرم حد او را مال مراواں باشد و زمینهای کشت
و کار پسر نه پدر را زند.

Tenants were not unknown, but the policy of Akbar was to encourage cultivating proprietorship. This is shown by instructions to the revenue collector, پاس دارد که زمین خود کاشته رعیت کاشته نه باشد.

Similarly, in the Punjab, Sikh rulers did not favour the claims of non working intermediaries. The Government wanted all the revenue for itself—it was not prepared to share it with useless middlemen. About Dewan Sawan Mai, Mr E P Steedman writes "In practice the Dewan held that no man had any right to any land that he could not cultivate, and grants of waste-land were given to any body who

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could bring it under cultivation Not only did this take place, but many persons who had formerly been tenants at-will, found themselves invested with the doubtful privilege of paying direct to the State The proprietors dropped out because there was no room for them¹³

A very strong case could be made out for land nationalization, which means in India the restoration of our traditional cultivating proprietorship Abun dant justification exists for a class war against the non cultivating proprietor on this basis

But economic conditions have changed materially during the past 100 years The population has grown, the pressure of population on the soil has increased, some non agricultural sources of wealth production, e.g., hand industries have been destroyed, and no new sources have been created to provide employment for surplus agricultural labour on the scale required

These are important considerations, which possess the greatest value in determining the guiding lines for the national struggle

In spite of industrial progress the proportion of the population dependent on 'Industry' (including cottage industries) declined from 15.5 per cent in 1901 to 10 per cent in 1931 This is due to the destruction of cottage industries If, owing to the

¹³ *Report on the Revised Settlement of the Jhang District, 1874-80* p. 69

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competition of machinery, 10 hand workers lose their jobs, only one or two find employment in factories. The use of machinery, under such conditions, causes unemployment in India and creates employment in other countries.

In consequence, the proportion of the population dependent on agriculture has steadily increased. It was 65 per cent in 1901. It is now more than 71 per cent. There was a considerable increase in population in 1921-31, 10.6 per cent. In some provinces, cultivators increased by a larger percentage still.

The progress of agriculture did not keep pace with the growth of numbers in 1921-31. The average net area sown in 1911-12 to 1920-21 was 220 million acres, as compared with 226 million acres, the average for 1921-22 to 1930-31. Under such conditions the land can support larger numbers only on the assumption that the cultivators accommodate themselves to a lower standard of living—for the pressure on agriculture is not relieved by emigration to foreign countries.

Such is actually the case.

In the United Provinces the possessions of the ordinary peasant consist in a little land, a pair of bullocks, seed for the next crop, and bare necessities, i.e., "the clothes he stands up in," cooking utensils and an unsaleable house. The cultivator's standard of comfort is already so "miserably low," that there

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is little scope for a further reduction of family expenditure¹⁹

In Bihar and Orissa the cultivator is advised to "cut his coat according to his cloth" The area under cultivation in 1931 was slightly smaller than in 1921 The yield per acre has not increased Are there any other sources of income besides agriculture? "Practically none," says the Census Commissioner, 1931²⁰

As a result of the trade depression "numbers have been forced back on the land" in the Bombay Presidency The pressure on agriculture has increased The development of organised industries may reduce the pressure But that is a slow process "The solution must be for a time a tightening of the belt, which," says the Census Commissioner, 1931 (Bombay) "means a slight lowering in the standards of comfort to which the present generation has become accustomed"²¹

In Madras the saturation point has been reached in regard to agriculture in certain parts with centres at Pudukhottai and Musiri "Other adjoining areas are in the position that a strong and continuing emigration flow is necessary to maintain population level of subsistence"²²

¹⁹ *U P Census Report* 1931, p 48

²⁰ *Bihar and Orissa Census Report*, 1931, p 72

²¹ *Bombay Census Report*, 1931, p 24

²² *Madras Census Report*, 1931, p 46

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Bengal's prosperity depended largely on jute, and this industry is threatened by the growth of substitutes. Bengal has only 2.6 acres per cultivator as compared with Punjab's over 7 acres.

The Census Commissioner for the Punjab draws attention to the very big increase in the "already very numerous category of cultivators," and says "The other resources of the Province are obviously not keeping pace with the rate of increase in the population."²³

Reliance cannot be placed on cottage industries for providing new sources of livelihood for the agricultural population. The lessons of the past cannot be ignored. The revival of cottage industries is possible only if two conditions are fulfilled: (1) that we build a Chinese wall round India, isolating India from the rest of the world, and (2) pull down all Indian factories whose goods compete with the products of hand industries.

Government's own rural reconstruction programme is a joke. Its chief object is to divert attention from the grievances of the cultivator against high taxation. And let no one imagine that the improvement of agriculture through the Imperial Council of Agricultural Research, or Provincial Agricultural Departments, will relieve the pressure on the soil. What is wanted is a change of system, or a

²³ *Punjab Census Report, 1931*, pp. 221-22.

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more evenly balanced economy Agricultural research will not bring this about, nor stud bulls

Work may be provided for the surplus population in the villages in manufacturing industries in towns. This solution of the problem has been emphasized over and over again. The famine Commission of 1880 suggested the development of manufacturing industries as a means of protecting the masses against the horrors of famine. But since 1880 the pressure on agricultural resources has not grown lighter but heavier.

Such industrialization as India needs in the interest of her masses will never take place under British rule. And that is what makes the struggle for swaraj appear as a phase of the struggle for existence.

Britain has her own interests to protect. India, though not the sole market for British goods, is an important market.

That there is a conflict of economic interests between India and England is undeniable. This conflict takes the form, not of a class struggle, but of the struggle for existence between Indian capital and labour on the one hand and British capital and labour on the other.

If India became free, England would suffer a heavy economic loss, and British labour would share that loss. It is as much in the interest of the British working man as in that of the British capitalist that India should continue in bondage.

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The British Labour Party has sympathy for India's political aspirations. That sympathy will never take the material form of *swaraj*. The British Labour Party cannot sacrifice the interests of millions of British workers, who directly and indirectly derive benefit from Britain's Imperial connection with India, for the sake of pleasing Indian politicians, or for improving the lot of the Indian worker. Those who are dreaming of *swaraj* when socialism comes to Britain are cherishing a delusion. In the first place, it is not known when socialism will come to Britain—probably never. In the second place, when British socialists are in power, they will in spite of whatever they may have said before, as likely as not, make the discovery that India's interests require the maintenance of the British connection. The struggle for *swaraj*, therefore, is not a struggle directed against a particular British class, the British bourgeoisie. The British bourgeoisie and the British proletariat will stand solidly together when the crucial movement comes. They will jointly and stubbornly resist our demand for freedom, for the freedom of India means the ruin of both in more than one sense.

We have to safeguard our interests as against Britain. It is not merely a question of waging war against British Imperialism.

I insist that "our interests" in this connection mean the general interests of the country, including

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both labour and capital. It is wrong to suppose that Indian labour alone will gain by *swaraj*, and that Indian capital is perfectly happy under bondage. There is no direction in which the joint progress of labour and capital is not hindered by our dependent condition. A few examples may be given.

India had ships of her own before the arrival of Europeans in Indian waters. Indian *Nakhudas* are frequently mentioned in the *Dag Register*²¹ for earlier years. The situation changed when European competition began. Indian shipping gradually disappeared from the seas. Its disappearance was due mainly to force and violence.²²

At present India has a large foreign trade, but the share of Indian shipping in it is insignificant. The total number of Indian steam vessels engaged in foreign trade in 1935-36 was 35, with a tonnage of 61,000 as against 1778 British vessels with a tonnage of 5½ millions. The reply to the demand for the reservation of Indian coasting trade for Indian vessels was the inclusion of safeguards in the new constitution, expressly designed in British interests. Ships registered in the United Kingdom cannot be subjected by law in British India to any discrimination whatsoever to which ships registered in British India are not sub-

²¹ Diary kept by the Dutch at Batavia.

²² See *Iranian Economic Life, Past and Present* by Brij Narain (Lahore, 1929) Chapter IV.

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jected in the United Kingdom This is the well known principle of reciprocity Ships registered in India will, in future, compete on perfectly equal terms with ships registered in the United Kingdom in the British coasting trade and in the carrying trade between the United Kingdom and foreign ports Can hypocrisy go further ? We cannot discriminate against British capital or British imports Discrimination or penal treatment covered by the special responsibility imposed on the Governor General for this purpose includes both direct discrimination (whether by means of differential tariff rates, or by means of differential restrictions on imports) and indirect discrimination by means of differential treatment of various types of products No administrative discrimination will be permitted either There used to be a Fiscal Autonomy Convention which, in theory, gave us the same right to tax imports as is enjoyed by the Dominions The convention has lapsed

What is the object of "safeguards" except to permanently secure the privileged position of British capital in India ?

Or consider exchange It is a good illustration of the state of semi vassalage, monetary, financial and economic (*etat de demi-vassalite monetaire financier, economique*) in which, according to M J P Koszule, Britain holds her colonies, Dominions and many other peoples²⁶ Not the Dominions For Aus-

²⁶ *Journal des Economistes*, May June 1935, p 274

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trah and New Zealand have depreciated their currency below the sterling level. Our sterling exchange is 12½ per cent higher than the pre war rate. The devaluation of the franc at the end of September 1936 was followed by devaluation in four other countries. With the pound sterling the rupee has appreciated 37 per cent, 23 per cent and about 45 per cent in terms of the French franc, the Dutch florin and the Italian lira respectively. Devaluation has imposed a severe handicap on our exports to these countries. As for Germany, in 1928-29 the balance of trade was in our favour in the proportion of 2 : 1, in 1935-36 exports to Germany were valued at 8,69 lakhs and imports therefrom at 12,36 lakhs. The total value of exports to Germany, Holland, France, Italy and Switzerland fell from 74,00 lakhs in 1928-29 to 21,44 lakhs in 1935-36, a decrease of no less than 71 per cent. Considering that, next to the United Kingdom, these countries are the most important buyers of Indian produce, the position must be described as extremely grave. But there is to be no lowering of the exchange ratio. India's credit depends on the maintenance of the 18d sterling rate now, as it depended before on the maintenance of the 18d gold rate.

India's feet are firmly planted on the road, not to swaraj, but financial ruin. Exports having declined, we are paying our debts abroad by exporting gold. The export of gold means that India is rapidly consuming her capital. The export of gold was

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regarded with misgiving by Indians as soon as it began. But our Government rejoiced. "In fact it is clear," said the Viceroy, "there is not only no cause for anxiety in what is now happening, but that it is conferring a great benefit on both public and private interest."²⁷ The Assembly is not permitted to discuss the question, the discussion not being 'in public interest'.

Finally consider the Home Charges, which amounted to about £16 millions in 1900 and have since grown to over £30 millions. If the rate of exchange were lowered to 16*d*, the burden of the Home Charges will increase in a corresponding proportion. This is one argument for maintaining a high rate of exchange. Of course the burden of the Home Charges cannot be reduced by cutting them. We cannot cut them, the Home Charges are sacrosanct. Here is this heavy mile-stone hanging round India's neck. For the sake of the Home Charges the industry of both the agricultural and the industrial worker is subjected to the heavy tax of the 18*d* rate.

I have referred to the 'safeguards', exchange, gold exports and the Home Charges, not by way of stating our grievances, but to illustrate the conflict of economic interests between India and Britain. Only swaraj can remove this conflict. And again I

²⁷ Address to Indian Legislative Assembly, on January 25 1932.

insist that it is not a question of class conflict—Indian labour *versus* the British Imperialistic bourgeoisie, but of India as a whole against Britain as a whole

Suppose we discriminate against British shipping, British banks, and British imports in order to increase employment for Indian labour, both uneducated and educated. The decline of British industries, unless it was compensated by the growth of British trade with other countries, would reduce employment for British labour. The British working man knows it, or if he does not, Sir Oswald Mosley is there to enlighten him as to the exact significance of swaraj

To my mind the chief content of swaraj is economic—it is a question of bread for the masses of India

Swaraj for our masses is literally a question of life and death. Thus viewed, the struggle for swaraj is an aspect of the universal struggle for existence

CHAPTER IV

A CLASS LESS SOCIETY

WE must begin with some definitions. What do the words 'socialism' and 'communism' signify?

The terms have a definite, time honoured meaning. No one is a 'communist' or a 'socialist' unless he subscribes to a definite, recognised creed.

I borrow my definitions from a short article on communism by Karl Diehl in the most authoritative encyclopædic work on economics, *Handwoerterbuch der Staatswissenschaften*.

"Very often socialism and communism are regarded as identical. But this is a mistake. Rather, both communism and socialism are forms of collectivism.

"By collectivism is meant those systems which deny private property. While socialism is that form of collectivism which would abolish private property in means of production (land and capital), communism would abolish private property also in objects of consumption. In a communist system, not merely would instruments of production but the products of labour be divided among the members of the society according to definite principles of equality."¹

¹ HWB Vol V, p, 821

Elsewhere Karl Diehl writes

"Communism goes further than socialism in that it would withdraw not merely means of production but objects of consumption from private ownership. In the socialist State the individual cannot own instruments of production, i.e., land, factories etc. But he may own objects of consumption, i.e., he may freely dispose over the return from his labour, and in exchange for his labour-hours, he may obtain *any goods he pleases* (italics Diehl's). It is otherwise in a communist society. Such a society not only owns all land, tools and implements, but also determines the shares in food, clothing etc. going to each individual. In other words socialism would abolish private property only in means of production, but communism would abolish private property also in the products of labour."²

These definitions are nothing new. Still it was necessary to cite authority for them, for very often the two terms are used interchangeably. As for our Government, they may shut up any socialist in prison, calling him a communist.

A communist society is a real class-less society, for in such a society there are no differences in individual incomes or wealth. In fact, where all goods are owned in common, where every one labours according to his faculties and consumes according to his needs,

² *Ueber Sozialismus, Kommunismus und Anarchismus*, by Karl Diehl, Jena, 1922, p. 7

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individual income and wealth cease to have a meaning

The communist ideal is nothing to be laughed at, or nothing which we in the East may deride. It is consistent with the highest forms of religious idealism.

Real communist societies have existed in the past in North America, and some of them may be functioning even now. A detailed account of two such societies relating to the year 1907 is given by Diehl.³ The Amana Society was founded in 1711 in the State of Iowa (USA). It comprised seven villages. The chief occupation of the members was agriculture. Every thing was owned in common, but there was violation of the strict principles of communism in one respect—each member was allowed credit to the extent of 70-50 dollars per year for purchasing goods from a common store. This free choice, remarks Diehl, is not communistic, nor the use of money.⁴ A communist society has no use for money, either as a standard of value or a medium of exchange. All goods jointly produced go into the common store, out of which every member receives a share according to his needs.

It may be insisted that such communist societies as were founded in North America were of a strictly religious character. It was expressly stated in Article 1 of the Amana Society that the

³ Diehl loc cit Chapter II

⁴ Diehl p. 25

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society had not been founded for the realisation of worldly, selfish aims, but of God's love and His divine purpose. Or, as Diehl says "Their State was not conceived as ideal in an economic sense, but as a State in which no importance was attached to economic or worldly matters"⁵ The members used to spend most of their time in religious exercises. Before and after each meal they prayed for a long time, and prayer meetings were held every evening. The simple life, with strict limitation of wants, was the rule. One who knew the Amana Society intimately, Mrs. Shambrough says "Born of religious enthusiasm and disciplined by generations, it has ever remained primarily a church"⁶

Such ideals command respect. They have been respected throughout the East, in India and elsewhere, for long centuries. One is reminded of *nishkam karm* and *samloshtashmikanchana* of the Bhagwad Gita (to one who has realised his Self, a clod of earth, a stone and gold are the same). Swami Ramkrishna Paramhansa was such an one. Swami Ram Tirath was another. Swami Ram Tirath regarded property as 'a huge joke'. "Godhead is your property," he once said in a Forest Talk, "but the house in which you live or jewellery can never be your property."⁷

⁵ Diehl, p. 28

⁶ Diehl, p. 28

⁷ *In Woods of God Realisation*, Vol II, p. 237 et seq.

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Study the lives of Muslim saints Open *Taskarat ul Aulia* at any page and read The saints, one and all, were not interested in this world. The Sufi despises the world like the Vedantin The author of *Gulshan i Raz* says

Badunai deh mar sen dunya i-ghaddar

Ke juz sag i a nashayad dad murdar

In the great *Masnavi* of Maulana Rumi we read

Gai barad malat 'udu e rehizane

Rehizane ra burda bashad rehizane

Saints have been the truest communists

This is religious communism, or communism deriving its inspiration from religion It has been already stated that in such a society the members, whose gaze is constantly directed towards Heaven, attach no importance to material well being, and deliberately limit their wants. Such a society may exist and function successfully so long as religious enthusiasm lasts

Economic communism is different There is no indifference to material goods or comfort, but still there is consumption according to needs How is that possible? The answer is, that when communism comes, there will be superabundance of all goods, and therefore every one may take from the common store what he needs Will not some be tempted to take more? 'Certainly not. Does it occur to any one now to buy three tramway tickets and then occupy one seat, leaving

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two unoccupied? The same will be the case with all products. The person concerned takes from the common store just so much as he needs, and that is all."⁸

I may say at once that I regard economic communism (as distinguished from the religious variety) as a wholly impossible creed. Why? For the simple reason that human wants are insatiable. I would like to live in a mansion surrounded by a pretty garden, to go about in a Rolls Royce, to eat the choicest food, to smoke the finest Havanas, to possess all the good books in the world in which I may be interested, etc etc. Excepting a few very highly evolved souls, the millions that inhabit this country are, perhaps, not less materialistic than I am. As for work, if you leave it to me, my capacity is about zero. A time will never come when there will be such super abundance of all goods that all may work according to their faculties (or do the minimum amount of work) and consume according to their needs (or the maximum amount of every good thing).

SOVIET RUSSIA

Soviet Russia is a socialist, not a communist country. It is not a classless society.

An attempt was made soon after the Revolution (October 1917) to level down wages. For example,

⁸ *A B C des Communismus*, Hamburg, 1921, p. 61

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in the metal industry, taking the wages of unskilled labour as 100, the proportion of skilled to unskilled wages sank from 244.100 in August 1917 to 139.100 in June 1918.⁹ Payments in kind (rations) had the effect of further reducing the gap between different scales of money wages. But soon there was a reaction against the levelling down of wages. It was officially admitted in August 1921 that the levelling down of wages "under existing conditions means a senseless waste of the country's resources" and the Council of People's Commissars said "All idea of levelling [of wages] must be decidedly rejected."¹⁰ Different scales of wage payments were evolved for work requiring varying degrees of skill. An investigation into wages, carried out in February 1923 by the Central Bureau of Statistics, showed that, taking wages for unskilled work as 100, the proportion of skilled to unskilled wages in extreme cases was in machine construction 355.9.100, in the coal mining industry 411.7.100 and in the glass industry even 820.100.¹¹

What is the position at present?

The Report of the Director, International Labour Conference, 19th session (Geneva, 1935) calls attention to the "general introduction of payment by results" in Soviet Russia. Mr Molotov, it is

⁹ *Der Arbeitslohn und die Lohnpolitik in Russland* by Dr Salomon Schwarz, Jena, 1924, p. 22.

¹⁰ Schwarz, loc. cit. p. 61.

¹¹ Schwarz pp. 64-5.

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stated, impressed this point upon the Central Committee of the Communist Party in the following terms:

"We must admit that the middle class idea of wage standardisation is not easy to root out, but rooted out it must be, for if standard wages are not abolished, it will be impossible to operate a system of payment for labour such as will favour the best workers, those who honestly do their bit, and such a system is in the interest not only of the workers, but also of the whole proletarian State"¹²

The bread cards have been abolished and all rationing is to be suppressed.

Inequality of wages necessarily implies inequality of incomes. It does not produce a classless society—rather the contrary.

The account of the piece work system, the basic system for the remuneration of labour in Russia at present, may be read in Sidney and Beatrice Webb's *Soviet Communism* (Chapter IX). Its advantages are well known. The worker is materially interested in increasing his output. Further, in capitalist countries, the Webbs tell us, the workers are made to gain less per unit the faster they work (piece work rates are degressive). In Soviet Russia, piece work rates are, in some cases, even progressive. The meaning is that the incentive of private monetary gain is more fully exploited in Russia to increase the productivity of labour than in capitalist countries.

¹² p. 31

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One can easily understand the new Soviet system of payment by results and appreciate the reasons which have led to its general introduction. But one cannot so easily reconcile the resulting inequality in incomes with the communist slogan "from each according to his faculties and to each according to his needs"—at any rate not so easily as the Webbs have done. They say

"In so far as individual communists have indulged in ideals as to how the wealth of the community should be distributed among its members, the slogan has always been one of inequality [1]. This in fact has constantly been expressed in the phrase "from each according to his faculties and to each according to his needs," which is certainly diametrically opposed to an equality among individuals, in the sense of identity either in rewards or in sacrifices" ¹³

Where payment is by results, consumption will be limited by income. It may not be according to needs. Workers with the highest income will have all the necessaries they want and may even indulge in luxuries, both harmless and harmful. Workers of the lowest grade may well find that, on account of their limited income, they must dispense with the comforts they need. Piece work rates are based on the value of the labourer concerned to the employer (it is immaterial whether the employer

¹³ p 792

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is an individual capitalist or the socialist State) not on the needs of the worker as a member of a civilised community. One may, arguing sophistically like the Webbs, even claim that in capitalist countries production and distribution proceed according to the communist slogan since inequality is the very essence of this slogan and there is the greatest inequality both in rewards and sacrifices under capitalism!

From the sophistry of the Webbs it is refreshing to turn to the frank and honest conception of distribution in a communist society as outlined by Engels in *Anti-Duehring*¹⁴. Herr Duehring has gone far enough, but his 'socialitarian' system still fell short of the communist ideal. Herr Duehring admitted the 'equal right to consume' corresponding to 'the equal obligation to produce'. "Labour is here offered in exchange against other labour on the basis of equal valuation. Service and counter-service represent here real equality between quantities of labour." Herr Duehring favoured 'Equalisation of men's energies, whether the individuals have in fact done more or less, or perhaps even nothing at all'. Wages are 'necessarily the same for all'. There is a difference between prices and 'value' in capitalist societies. In Herr Duehring's commune prices are determined by the estimate of the quantity of labour required to produce a commodity, thus realising the "absolute value" of

¹⁴ *Anti-Duehring* (Martin Lawrence) Part III Chapter 11

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Marx Equal wages and equal prices establish "quantitative if not qualitative equality of consumption" and thereby realise the "universal principle of justice"

Herr Duehring tolerated one slight departure from the principle of equality "The equality in principle of economic rights does not exclude the voluntary addition to what justice requires, of an expression of special recognition and honour Society honours itself, in distinguishing the higher types of work by a moderate additional allocation for consumption" In regard to which Engels satirically remarks "And Herr Duehring, too, honours himself, when combining the innocence of a dove with the wisdom of a serpent, he bestows such touching care on the moderate additional consumption of the Duehrings of the future "

Herr Duehring also permitted inheritance But wealth thus accumulated does not "aim at the creation of means of production and rent receiving existences "

Money is also used in Herr Duehring's commune, but it serves as a mere labour certificate—it is no more money than a ticket for a theatre The monetary unit may therefore be represented by a piece of paper, a farthing or a gold coin Money in Herr Duehring's commune is totally superfluous—Engels admits that Prices being equal to value, products of equal labour are exchanged against products of equal labour The basis of exchange

might as well be labour time with the labour hour as a unit

Herr Duehring's commune is communist in a far more real sense than present day Russia, still Engels was not pleased with it. Herr Duehring permits everyone to do what he likes with his money. Some of the members may begin to form little hoards, which they may lend to others on interest. The usurer thus reappears. The borrowed money will be accepted by the commune on payment for means of subsistence—money thus becomes what it is in capitalist societies, the general means of circulation. Inheritance also makes a wide breach in Herr Duehring's 'quantitatively equal consumption'.

If metallic money is used, say gold, members of the commune are given "a new motive to the accumulation of a hoard, to getting rich, to usury"—they may invest their savings in foreign countries. The usurers are thus transformed into dealers in the means of circulation, bankers, controllers of world money, and therefore into controllers of production, and therefore into controllers of the means of production. To Engels's mind no compromise is possible, so far as money is concerned. If money remains, communism goes. He has no objection to Owen's 'labour certificates', but they represent a transitional stage. In the final stage, or under complete communism, there is "free utilisation of the resources of society" (p 312)

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Where there is free utilisation of the resources of society there is no need for exchange, nor, consequently, for money. Nor has such a society any use for the concept of 'value' —

"Commodity production, however, is by no means the only form of social production. In the ancient Indian communities and in the family communities of the Southern Slavs, products are not transformed into commodities. The members of the community are directly associated for production, the work is distributed on the basis of tradition and requirements, and likewise the products which are destined for consumption. Direct social production and direct distribution exclude all exchange of commodities, therefore also the transformation of the products into commodities (at any rate within the community) and consequently also their transformation into values" (p 345)

On the question of exchange, or the transformation of products into commodities, Engels also takes up an uncompromising position. For as soon as commodities emerge, values emerge with them, no matter what values embody. He insists again and again that under communism values are not assigned to products. "People will be able to manage every thing very simply without the intervention of the famous 'value'" (p 346). "The value form of products therefore already contains in germ the whole capitalist form of production, the antagonism between

capitalists and wage workers, the industrial reserve army, crises. To seek to abolish the capitalist form of production by establishing "true value" is therefore equivalent to attempting to abolish catholicism by establishing the 'true' Pope."

Money, exchange and commodities go together. If money is retained, then goods which are produced even for the producer's own use assume the commodity form—money 'drags them into exchange'. Money and the commodity form "dissolve the community into a mass of private producers." If Herr Duehring's economic commune ever came into existence, money would break it up (p. 348). If, in addition, there is hoarding and inheritance, there is still less reason to talk of a communist society. Quantitatively equal consumption becomes a farce. The so-called economic commune differs little from a capitalist society—it contains all the germs of capitalism and must inevitably break up.

The Webbs tell us that no one is compelled to work in Russia, not more than in England or the United States. Well, if one does not work, how does one live? Does one starve, in accordance with the slogan "If a man does not work, neither shall he eat"? Not necessarily. "He may indeed," we are told, "exist indefinitely in idleness by spending his savings or his inheritance, or living on gifts from relations and friends, without any legal proceedings being taken against him, although, as he is not a

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producer, he will not obtain a ration card, so that he must buy his meal and sugar with valuta at one of the 1300 Torgsin shops, or else, with roubles in the free market"¹⁵ This Bolshevik idler has now been freed from worry about ration cards—no one else has got them either, and if he is deprived of the vote as a non worker, he may reconcile himself to the loss of that privilege without shedding too many tears

With its roubles, exchange and commodities, not to speak of inheritance, free markets and "millions of individual self employers"¹⁶ Soviet Russia, except in regard to a planned economy, is little different from a capitalist society. It may be claimed that classes have been abolished—but when piece work rates and all other germs of capitalism exist, the emergence of different economic classes is only a question of time. To call Soviet Russia 'communist' is a misnomer. It would make Engels turn in his grave.

Only at one time, 1919-20, did Russia make a real attempt to realise the communist ideal of Engels. The attempt was facilitated by the chaotic monetary conditions prevailing at the time.

There was heavy paper inflation, so heavy that all bottom seemed to have dropped out of the monetary system. The circulation on 1st January 1914, amounted to 14 roubles per head of the population. The amount rose to 21 roubles on 1st January 1915,

¹⁵ *Soviet Communism*, p. 667

¹⁶ *Soviet Communism*, p. 1024

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to 39 roubles on 1st January 1916, and to almost 117 roubles on 7th November 1917 (new Calendar). The circulation had already increased to $8\frac{1}{2}$ times the pre war figure before the November Revolution. Between 7th November 1917 and 1st January 1920 the additions to the paper circulation totalled 210,000,000,000, roubles equal to 12 times the increase up to 7th November 1917 —

	<i>In million roubles</i>
Up to 7th Nov 1917	18 916
From 7th Nov 1917 to 1st Nov 1918	30 517
From 1st Nov 1918 to 1st Nov 1919	92 711
From 1st Nov 1919 to 1st Jan 1920	58,000

Allowing for the decrease of population and the further increase in circulation up to 1st January 1920, it is found that the circulation of paper money reached 4000 roubles per head, which is about 300 times greater than the pre war figure (14 roubles per head).

Paper inflation may have been deliberate, or a step forced on the Government by circumstances. The resulting depreciation perhaps accounts for the change which occurred in methods of wage payments.

In the first year of Soviet rule wages were paid entirely in money. The term 'naturalising of wages' was first used in the Soviet press towards the beginning of September 1918. The All Russian Conference of Metal Workers was the first to adopt a Resolution on 17th October 1918 concerning a practical solution of this question. "The Resolution was framed in accordance with the proposal of the author of these

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lines," says M. Larin" (Soviet official who nationalised banks) In the following year a beginning was made towards the realisation of that aim. In April, 1919 Government orders issued providing workers' and officials' children up to the age of 16 with free food. Later free clothes, boots, caps and stockings were provided to all school children. "These measures," says M. Larin "which equalized the positions of workers with and without a family, meant an important step towards altering the material relations between individual persons and the society as a whole, since, in the place of money wages, there appeared the distribution of products of social labour among workers in accordance with their needs." Here was the first step taken towards a natural and unsophisticated interpretation of the communist slogan "from each according to his faculties, and to each according to his needs."

A further step in the same direction was the prohibition to raise house rents above the level of 1st July 1919. Since money was rapidly depreciating, that meant reduction of house rents to an insignificant amount. Later, houses in big centres of the population, e.g., Moscow and Petrograd, were nationalised.

This was followed by the free provision of

¹ *Das Wirtschaftsleben in Sowjet Russland* by L. Larin, Hamburg, 1921. One of a series of books issued by the Communist International. See for this interesting account, p. 69 et seq.

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working clothes, head dress and working boots to all workers. Towards the end of 1919 soap was added to the free list. A few months before, orders had issued enabling workers to buy fixed quantities of sugar, salt and safety matches with ration cards at the prices of July 1919. Local Soviets organised free theatricals for workers. In March 1920, among other things, free hot lunches were served for all workers and officials at their places of work. In June 1920 came the abolition of charges for travelling by railway trains or ships, both for workers and officials going on a holiday and those returning to work. Finally, to increase productivity, extra payments were made in kind for extra effort (sugar, salt, manufactured goods etc) apart from card rations. A beginning was made by setting apart 10 million pieces of cloth and 10 million match boxes for railway workers.

It is estimated that in the spring of 1920 payments in kind by the State met at least half of the needs of the workers. It was for this reason that workers did not insist on a rise in money wages corresponding to the fall in the value of paper money. "Thanks to the new economic organisation," writes M. Larin, "the workers are losing all interest in money wages. Money is beginning to lose its function in Russia. Its banks, stock exchanges, etc., have already lost it."

The Amara Society allowed its members credit to the extent of 20-50 dollars per year for purchasing

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goods from a common store, which Diehl describes as uncommunistic. Free choice in Russia, in the spring of 1920, extended to half of the workers' needs. The departure from communistic principles was greater, still Russia was on the road to communism, considering that attempt was being made to abolish money.

The formal abolition of money came on 1st January, 1921. But, as we have seen, money has re-emerged, and with money, exchange and commodities. The attempt to establish a communist society in Russia has failed.

Economic communism can never succeed, or, to put it otherwise, the conditions for the successful working of economic communism can never be fulfilled. The explanation is simple.

Let us grant for a moment that values as an embodiment of labour do not exist. Let us think of value simply as 'power in exchange,' irrespective of whether a good possessing value in this sense incorporates human labour or not. How does any good acquire power in exchange? In virtue of two characteristics which it possesses—first, it is useful, or satisfies a want, and second, it is scarce in relation to demand. Utility and scarcity are the cause of value, where both are present value is present, where either is absent value is absent.

What happens when a good is so abundantly supplied that its marginal utility to society as a whole

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sinks to zero? Value sinks to zero too—the good, e.g., air, possesses no power in exchange. The very high value of diamonds is due to their great scarcity. Rare things, as first editions and old masters, command a high value just on account of their rarity. An autograph of Aurangzeb may have been produced with next to no labour, but it may sell for a considerable sum, just because autographs of Aurangzeb are rare.

Agricultural land is bought and sold now, or it has marginal utility above zero. But in the 16th and 17th century agricultural land did not possess value in India. There was more land than was required for cultivation. There is a reference to the system of cultivation in the accounts of India by two Dutch factors, W. G. De Jongh and Van Twist. De Jongh served as head factor at Burhanpur and Broach from 1623 to 1632, and in 1636 he returned to India as an assistant director of the Dutch factory at Surat. He wrote a detailed account of the trade of Ahmedabad and other towns on the West Coast in 1628 or 1629, which was published in Holland in 1929. De Jongh says

“Land is divided among cultivators in the following manner. Any one wishing to sow land goes to the headman of the village, called *Mohedons* (*Muqaddam*) in their language, and asks permission to cultivate as much land as he wishes to sow and in such place as is convenient to him, which permission

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is seldom refused and almost always granted. Since of the cultivable land not one-tenth is sown, everyone can get as much land as he wants and [land] of his choice, and he may sow as much as he can cultivate."¹⁸

Similarly Van Twist says of Gujrat (Bombay Presidency) "A thousand times more land lies untilled as compared with that which is tilled."¹⁹

It must not be supposed that land remained untilled because the tyranny of the rulers had caused the population to emigrate *en masse* to foreign countries. Far from that India was a land of plenty in those days, and food-grains were astonishingly cheap. There was no large external demand for agricultural products, and population being less than one-third of its present size, it was not necessary to bring all the cultivable land under the plough. Under such conditions the value of land *qua* land is zero.

Price is the expression of value or power in exchange in terms of money. Price measures marginal utility. This explanation disregards the causes of limitation of supply—whether they are natural, as in the case of land, or artificial, as in the case of goods which may be reproduced by the expenditure of

¹⁸ *De Remonstrantie van W. Geleynssen De Jongh*, edited by Prof. Caland. The Hague p. 40.

¹⁹ *Generale Beschrijvinghe van Indien*, by Johan Van Twist. edition 1638, p. 63. 'also der wel duysentmael meer Lants ledich leyt alsser bezeyt wordt

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human labour

All goods do not possess the same value — they exchange against one another at different ratios determined by their marginal utilities. Invariably dearer goods are more scarce in relation to demand than cheaper goods. This fact finds expression in different scales of prices.

The result is the adjustment of supply to demand. If society has produced 100 million yards of silk cloth and 3000 million yards of cotton cloth, some may still have to go without cotton cloth, but many more would have to dispense with silk. This is effected by the higher relative price of silk.

Of course if unlimited supplies of silk, cotton and other goods are available, there is no need to restrict any one's consumption. Goods may be piled up in common stores, and the gates of the stores thrown open to all — any one may enter and carry off from the store any quantity of any good he desires. Engels's "free utilisation of the resources of society" has this, and no other meaning. Where everything is super abundant, there is no need for money, goods are not turned into commodities, there is no exchange, no temptation to misuse labour certificates, and no attempt to hoard wealth for oneself or for one's family. In fact such a society possesses no wealth in the economic sense, only free goods.

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Suppose, for example, a communist society has produced 1000 motor cars, but there are 50,000 families of prospective consumers. If a million cars were available, the society might permit free utilisation of its resources in this respect, but there are not enough cars to go round. It is, for the purposes of our argument, immaterial whether restriction of demand is sought by fixing a high money price for a car, or whether the car is reckoned at 1 million labour hours as compared with a motor cycle, which is equal to 100,000 labour hours, or a pair of shoes reckoned at 100 labour hours. The result in the two cases is identical. Some members of the society are excluded from the use of motor cars—cars will be acquired by those who have saved enough out of their wages, whether paid in money or labour certificates, to pay their price. If the communist society apportions rewards according to the kind of energy put forth by workers, and not merely according to the labour-hours involved in the exertion, inequality of incomes is necessarily produced. Those who earn more will acquire the scarcer commodities.

There is no escape from the conclusion that goods, which are not free goods, are and will always be commodities, and must be the subject of exchange. Nothing depends on the form of exchange.

Engels's ideal of economic communism can never be realised. But religious communism is different.

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The communist wages war against religion, and in this he is mistaken. Since the ideal of a superfluity of all worldly goods, which is the essential condition for the free utilisation of the resources of society, is non-attainable, the only practicable means of establishing a communist regime is to preach *nishkam* *lāṁa*, or indifference to worldly goods. Communism has failed because it seeks to combine a materialist outlook with religious aims. Here is another "Great Contradiction" which is incapable of solution.

We have seen that the true spirit of religion recognises no property, whether in means of production or in objects of consumption. God head is the property of the saint. Work without the desire for fruit is the guiding principle of saintly activity. If members of a communist society have developed the requisite degree of indifference to material goods, and severely limited their wants, free utilisation of the resources of society will create no difficulties. Goods will remain goods. Our saints may use any kind of money—it will remain a token. There will be no hoarding. What will a saint hoard for? His chief concern is to accumulate a treasure in Heaven. No usurers arise, no bankers, no controllers of world money, and no controllers of means of production.

But the communist prides himself on his materialist outlook. He derides spirituality. His 'proposition' is religiously noble—doing away with sordid motives

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of wealth production and accumulation, and the ending of exploitation of man by man. But next comes 'opposition' offered by materialism untinged with spirituality—there is no ray of self denial, *nishikam karma*, to relieve the gloom of gross desire for material comfort. What is the synthesis of this thesis and anti thesis, the 'composition' of 'proposition' and 'opposition'?

CHAPTER V

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THE socialists form a growing party within the Congress, and the head of the Congress, Pandit Jawahar Lal Nehru, is a declared socialist. That a body which has not yet renounced its faith in *gur, charli* and *khaddar* as means of India's economic regeneration and political emancipation, should tolerate within its fold men of a totally different outlook, is a compliment to the strength of socialist thought.

What has attracted India to socialism? Is it the philosophy of socialism the labour theory, the theory of surplus value, the interpretation of history as a series of class struggles, or the ideal of a classless society? The labour theory is dead. The theory of surplus value is equally dead—it explains nothing. The theory of class struggle is worse than useless—it ignores the struggle for existence. As for the economic ideal of a classless society, conditions for its realisation can never be fulfilled.

The theory of scientific socialism is fundamentally unsound.

What, then, is the genesis of Indian socialism?

In attempting to answer this question we find ourselves confronted with a number of contradictions.

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Marx was convinced that the first proletarian revolution would take place in England, industrially the most advanced country of Europe. The revolution foreseen by Marx happened in Russia, an industrially backward country. Sometime ago it was thought that the second proletarian revolution in Europe would occur in Germany. Germany has turned fascist. With Spain as the latest recruit to fascism, the fascist movement in Europe has attained serious dimensions, such as were not foreseen by any one.

Fascism is the complete negation of bolshevism. If bolshevism is the Marxian 'thesis,' fascism is the 'anti thesis.' What is the 'synthesis' of the two? Or, shall we say that bolshevism is the negation of capitalism, and that fascism is the synthesis, the negation of negation? Marxian dialectic is a muddle.

It is supposed that "the Marxian interpretation does work under feudal conditions in a world where industrialism has developed elsewhere"¹ That may be true of Russia, but it is no interpretation of Indian socialism. Why should socialism prosper in India because industrialism is developing elsewhere? The progress of industrialism elsewhere would mean greater exports from India, higher prices of agricultural products, lower prices of manufactured goods, and more money in the pockets of our peasants.

¹ *The Philosophy of Communism*, by John Macmurray (Faber and Faber) p. 83

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India was relatively prosperous before the War. There was a growing foreign demand for food and raw materials and the terms of foreign trade were in our favour. No one thought of socialism then. Restore the price level of 1929 and the old conditions of international trade—India would lose all interest in socialism.

The progress of industrialism elsewhere has nothing whatever to do with Indian socialism. The genesis of Indian socialism lies in the agricultural revolution which has brought the rural masses to the verge of ruin.

Sufficient attention has not been paid to the effect of the agricultural revolution on Indian economy. The adjustment to the industrial revolution was still taking place when a second and a more terrible revolution suddenly burst upon us.

The causes of our misfortune are of a permanent nature. The agricultural revolution is due to mechanical and biological progress. It has increased production and brought down costs in the progressive countries of the world. The rise of agricultural protectionism in the industrial countries of the West has further restricted Indian exports. We are watching the situation helplessly. We cannot persuade Western countries to give up protection, we cannot stop progress, and, under existing conditions, we cannot modernise our agriculture.

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It is a mistake to think that the rise of agricultural protectionism is due to our own protective tariff "Rebellion or ruin or secession" are the pleasant alternatives presented to the Punjab by Mr Calvert² But nothing depends on our entering the Federation or keeping out The export trade flourished under free trade, but the world political and economic situation then was different

² *The Wealth and Welfare of the Punjab* by Mr H Calvert, second edition 1935 C & M Gazette, Lahore Mr Calvert and his book are well known in the Punjab Mr Calvert is a convinced free trader and he dislikes the new constitution The new constitution is not a thing which any one may like it imposes financial burdens on the Provinces which, in their present impoverished condition they cannot bear So far one may agree with Mr Calvert But he is mistaken in thinking that protection is ruining the agricultural Provinces He suggests that the Punjab Frontier Province Baluchistan, Sind and the Indian States served by the North Western Railway may form a separate federation with free trade as their fiscal policy The rural peoples cannot for ever remain in ignorance of the heavy burdens imposed upon them, or of the causes of the continued low prices of their produce and of the removal of markets from their reach and when realisation comes it will be difficult to see how India will be able to escape from demands for secession or for the isolation of Bombay' (p 420) Mr Calvert has spent much time in the Library of the India Office and he must surely know that the agricultural revolution has something to do with the fall in agricultural prices and that an important cause of the loss of our markets is agricultural protection in the West, inspired by military reasons But he ignores these factors completely There is not a word in his book to suggest that profound changes have occurred in the structure of world agriculture as the result of the agricultural revolution, and in world economy owing to the rise of economic nationalism Or have the publications of the League of Nations on the trade depression and agricultural protectionism escaped Mr Calvert's attention?

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Let us take wheat as an example. Wheat exports in 1924-25 were valued at 17 crores of rupees. At the present time they are negligible. Why have wheat exports disappeared?

Wheat enjoys heavy protection in Italy, Germany and France. On the 1st of January 1924 wheat paid a duty of 1s 7½d per cwt in France, but was admitted free in Italy and Germany. On the 1st of January 1934 the duty amounted to 10s 1d, 12s 4d, and 18s 11d in France, Italy and Germany respectively.³

Wheat is protected in these countries partly to reduce the unfavourable balance of trade, but chiefly for securing the nation's food supply in a time of war.

The 'battle of wheat' (*la battaglia del grano*), or the campaign to increase wheat production, was inaugurated by Mussolini in 1925, that is, long before the trade depression. The object was to free Italy from "the slavery of foreign bread" (*schiavitù del pane straniero*).⁴ The 'battle of wheat,' as Mussolini has said, "responds to a fundamental necessity of the economic life of the nation."⁵ Large areas under swamps have been drained and rendered fit for cultivation. This *bonifica integrale* as it is called, has added much new land to the cultivable area of Italy.

³ *Considerations on the Present Evolution of Agricultural Protectionism*, Geneva, 1935, p. 19.

⁴ Mussolini, *Discorsi*, 1922 (Alpes', Milano), p. 122.

⁵ Mussolini, *Discorsi*, 1926, p. 327.

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the isolation of Bombay is too simple a solution of our difficulties⁷

The only way of escape lies through a socialist reorganisation of Indian agriculture and industries. It is literally a choice between socialism and ruin.

What compels us to reorganise agriculture? Or the question may be put otherwise "What will happen if we do not modernise agriculture?"

Our exports will continue to shrink, and this is not a matter of indifference. As yet we have felt only the first effects of the agricultural revolution—the agricultural revolution is not more than 20 years old. We found employment for the displaced hand worker in agriculture, and for a small number in power industries. The problem of the agricultural

⁷ Burma will not enter the federation—"she will escape the ruinous consequences of the protection policy of Indian leaders"—(*Wealth and Welfare of the Punjab*, p. 398). Mr. Calvert advises all the agricultural Provinces to claim exclusion from an urban dominated federation. "One effect of this urban inspired policy," he says "will be to keep prices of agricultural produce to a low level" (p. 417). Mr. Calvert is unduly severe on 'unscrupulous' Bombay politicians. They may want cheap raw materials but they did not invent the machines which have brought down agricultural costs in Western countries, nor have they any hand in biological progress which has increased agricultural yields.

It may also be noted incidentally that there is no Province in which agriculture is not the main occupation of the people. The proportion of earners and working dependents engaged in agriculture in the Bombay Presidency is 65.9 per cent of the total as against 60.5 per cent in the Punjab. The demand for the 'isolation of Bombay' and the exclusion of the agricultural provinces from the federation therefore means that Bombay City will be left to form the federation by itself!

Think of the enormous increase in demand for all kinds of goods which will result when 370 millions of people earn wages of decent living, when they are housed, clothed and fed like human beings

Some may doubt the ability of the new regime to find work for all the surplus agricultural population in industries. But there is no other way out for us. We have no choice in the matter. Not to modernise agriculture is to lose our exports. Let no one be deceived by conjunctural fluctuations. If crops fail elsewhere, we export more cotton, oil seeds, other produce, and even wheat. Short periods of improvement due to the action of temporary causes have little significance. The central fact is the structural change in world agriculture, accompanied by the rise of economic nationalism. Our power of international competition is gone. To restore it, we are compelled to reduce costs, and that cannot be done except by using modern appliances.

My conception of socialism is built around a national State, actively interfering in all economic matters, and taking deliberate steps to develop the country's resources according to plan. Economic planning in India will have three chief objects: (a) increasing production with modern appliances, (b) achieving an evenly balanced economy, and (c) stimulating demand.

With a rising standard of living, growing knowledge and enlightenment, and progressive

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weakening of religious prejudices and superstitions, the masses may be persuaded to take a rational view of marriage. My socialist Utopia is an emptier India.

I do not see why this conception of the socialist State should not be acceptable to every one. The ideal is not unattainable. The value of the Russian experiment consists just in this that it has demonstrated the practicability of economic planning on a large scale.

The authorities in Russia had decided "to transform the U S S R from a country importing machinery and equipment into a country that manufactures machinery and equipment"⁸. They eminently succeeded in their purpose. Russia occupied the second place in the world's output of machinery in 1931. The first Five Year Plan may not have been fulfilled to the extent claimed. But even the critics admit that it was a remarkable achievement of the Government and the people⁹.

I confess that if economic planning had failed where it was first tried, my socialism would have failed too. For to me the chief attraction of socialism lies in its planning, not in its class war.

⁸ *The First Five Year Plan* official report, p. 14.

⁹ "Und doch muss man zugeben, dass es eine hervorragende Leistung der Regierung und des Volkes gewesen ist." See *Weltwirtschaftliches Archiv*, Kiel May 1934, p. 518. Article by Prof. Dr. Wassily Leontief entitled "Die Erfuellung des russischen Fuenfjahrplanes".

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There are two main aspects of the socialist State, production and distribution. We have seen that the socialist tends to over emphasize distribution, and that in India a better distribution of wealth is a less urgent problem—than a greater production of wealth. It is not suggested that we have realised the ideal of social justice. Far from that. But expropriation of all owners of property and an equal division of wealth among the people will leave the masses nearly as miserably poor as at present. This is a strong argument for ignoring class war and placing the constructive ideal of planned production before the people.

Suppose all landlord rights in the Punjab are abolished and all land belongs to cultivators. What will be their income per acre? The following table is borrowed from the *Punjab Farm Accounts* ¹⁰

[Table

¹⁰ *Farm Accounts in the Punjab*, by S. Kartar Singh, 1933-34, Statement IV, p. xv

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Net Income per Acre of Holdings grouped in Ten Districts, assuming that all land belongs to the cultivators

District	1929 30 Rs a	1930- 31 Rs a	1931 32 Rs a	1932 33 Rs a	1933 34 Rs a
Jullundur	23 13	11 12	14 4	20 10	12 6
Ludhiana	12 4	3 7	8 6	23 2	1 14
Hoshiarpur	31 7	12 10	17 6	35 10	10 12
Amritsar	27 12	14 7	8 13	23 7	11 1
Multan	13 9	7 14	6 7	13 15	9 9
Rohatki	18 0	13 1	18 0	23 11	15 6
Jhelum		0 13	10 12	16 14	8 5
Lyallpur	44 6	11 14	18 8	31 4	21 6
Montgomery	32 0	14 8	18 6	29 10	24 15
Sargodha	12 7	6 12	10 1	17 10	14 11
<i>Average</i>					
Canal Colonies	42 15	11 11-	18 0 -	30 4	21 1
Well irrigated cum barani	18 7	7 12	10 12	20 12	9 10
Total	36 12	10 9	15 12	27 5	17 6
Excluding Risale wala—					
(a) Canal Colonies	24 3	7 14	14 14	18 14	16 13
(b) Total	20 1	7 13	11 4	20 3	11 12

Excluding Risalewala, which is a Government farm in the Lyallpur District of over 800 acres, net income per acre in the Canal Colonies, where net income is highest, was Rs 16 13 per acre in 1933-34. If well-irrigated cum barani tracts are included, the average falls to Rs 11 12. During these five years, from 1929-30 to 1933-34, the average income per acre was a little over Rs 14, ignoring the division of the produce between the landlord and the tenant.

The average for all 29 Districts of the Punjab would probably be under Rs 10 per acre. The level

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of agricultural 'prosperity' is higher in the Punjab than in other Provinces For India as a whole, assuming the non-existence of the landlord, net income per acre may not be more than Rs 6 or 7

Now if we remember that land per cultivator, on an average, is not more than 4 or 5 acres, that gives us a net income of Rs 30 to 40, or, let us say, about Rs 50 per cultivator per year, assuming that he does not share his produce with the landlord Put the whole land of the country into a stock and re divide the land equally among all—the cultivator would certainly be better off than at present, but still miserably poor

FEUDALISM

One has read of predictions by responsible people that the next proletarian revolution after Russia will, perhaps, happen in India¹¹ Such predictions are the product of dialectical thinking, which, as we know, interprets history in terms of class struggles Marxian dialectic having failed in highly indust

¹¹ In the course of a lecture delivered in the beginning of April 1924 on 'Foundations of Leninism,' Stalin said

Where is the front likely to be broken next? Again at the weakest point, obviously Perhaps that will be in British India where there is a young and combative revolutionary proletariat, allied to the champions of the movement for national liberation—a movement which is certainly very powerful' (*Leninism* Vol I, p 101) This 'very powerful movement' took the form of a most remarkable war of independence which entirely failed to make any impression on the Imperialist front Most foreigners when they refer to India, do not know what they are talking about

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ralized countries, it is now thought that feudalism provides a more fruitful soil for the growth of socialism. In fact, the first proletarian revolution happened in a country which was largely feudal.

Now India is not a largely feudal country. Feudalism is important in certain Provinces, but of little importance in others. Further, our feudalism has no deep roots in past history or tradition.

The following table, borrowed from the *Agricultural Statistics of India*, 1931-32, Vol I (p viii) shows the forms of land tenure in the surveyed areas of the various provinces. The figures roughly indicate the extent to which the different systems prevail.

[Table

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<i>Forms of land tenure</i>				
Raiyatwari	Zamindari (individual proprietors or village communities) settled		Total	
	Permanently Acres 1000	Temporarily Acres 1000		
Ajmer Merwara	971	797	Acres 1000	
Assam	27 796	3 931	1 771	
Bengal		37 858	1 758	35,485
Bihar and Orissa		41 810	11,329	49,187
Bombay	74,769		11 333	53,173
Burma	155 850		3,971	78 710
C P and Berar	11,181			155 850
Coorg	1,012		40 156	61,060 ^(a)
Delhi				1 012
Madras	62 519	29 015	370	370
N W F P				91,534
Punjab			8,437	8,437
United Provinces		6 656	60,188	60,188
			58 468	67,726 ^(b)
Total	335,127	120 274	197,107	667,533 ^(c)

^(a) Including 12 423 000 acres of Government forests

^(b) Including 2,602,000 acres of two Districts for which details by tenures are not available

^(c) Including Government forests and land mentioned in the preceding foot notes

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These figures deserve the closest attention of those who will guide the socialist movement. It is seen that 51 per cent of the total area (excluding the portion for which details by tenure are not available¹²) is held by raiyatwari proprietors, while 19 per cent is held by permanently settled and 30 per cent by temporarily settled zamindari proprietors.

The extent to which feudal conditions prevail in India is much less than 49 per cent of the total area. The most important of temporarily settled zamindari Provinces is the Punjab, where we have a large body of peasant proprietors. Possibly feudalism is limited to not more than one third of the total area.

The Punjab peasant proprietor is a real proprietor—the land that he cultivates is owned by him. It has been mentioned before that peasant proprietors in the Punjab exceed in number tenants and agricultural labourers combined. There is the strongest contrast in this respect between the Punjab and, for example, United Provinces and Bihar and Orissa.

	Cultivating owners 1000	Tenant cultivators 1000	Agricultural labourers 1000
Punjab	1707	1128	510
United Pro- vinces	1091	8433	1505
Bihar and Orissa	291	6129	1780

¹² See footnote 2 to the Table

Unlike the Punjab, tenant cultivators far exceed cultivating owners in numbers in these two Provinces.¹³

The *rayatwari* tenure is important in Bombay, Madras and Burma. What is the position of the *rayat*?

The rayat is not proprietor in the legal sense, but proprietor for all practical purposes. Formal proprietorship carries with it responsibility for the payment of the land revenue. The cultivator in the rayatwari Provinces was not willing to shoulder this responsibility. In Madras it is legally recognized that the rayat might at any time relinquish any field or definite part of his holding, and thus escape the liability to pay the land revenue. So long as he pays the land revenue, he is proprietor in fact. In Bombay the rayat is called 'occupant,' and his right as an 'occupant' is hereditary and transferable. The right of the rayat in Madras is practically the same as in Bombay. "In common language," says Baden Powell, "it is a right which is theoretically rather than practically distinguished from a proprietary right."¹⁴ The Burma Land Law and the Assam Land Regulation define the 'landholder's' right without calling it ownership.

¹³ In India as a whole, taking males alone, there are according to the census of 1931 125,564,656 tenant cultivators as against 21,315,383 cultivating owners. The United Provinces and Bihar and Orissa have the largest number of tenants. In Bengal there are more cultivating owners than tenants (4,866,000 and 782,000 respectively).

¹⁴ *Land Revenue in British India* by B. H. Baden-Powell (Oxford, 1913) p. 126.

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The raiyat is not landless, whether you call him 'landholder' or 'owner' makes no difference for the purposes of the present discussion

It would appear that landed property is widely diffused among the rural masses, except, chiefly, in Bihar and Orissa and the United Provinces

Is it possible to make the demand for expropriation popular in rural India? Who is to expropriate the raiyatwari landholder in Bombay, Burma and Madras? Who is to expropriate the Punjab peasant proprietor? Our peasant proprietors are intelligent and virile — they cannot be looked upon as down trodden proletariat. The real proletariat in our villages consists of agricultural labourers and the 'untouchables', who are good for nothing. Peasant proprietors form the rural bourgeoisie. No class of the community is strong enough to dispossess them of their proprietary right. I suppose it is realized that expropriation is not a non violent process. You do not stand with folded hands before the party to be expropriated and say "Maharaj ji, Namaste. We have come to expropriate you. Kindly hand over your property and go." I am naturally more familiar with conditions in the Punjab, but I may be believed when I say that all talk of expropriation is meaningless.

Wrong socialist tactics, inspired by imported slogans, are infinitely dangerous. *Gur, charlha* and *khadda* can, at worst, mislead some good people

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into thinking that the revival of cottage industries will bring economic and political swaraj. *Gai, charkha* and *khadda* are otherwise harmless, they may also be said to possess some utility in the sense that they provide occupation for people who have nothing better to do. But wrong socialist propaganda rouses the worst class passions. So far from bringing swaraj, it breaks up the swaraj front. And there is no socialism without swaraj, unless one takes the view that British Imperialism and socialism are one and the same thing, and that to strengthen British Imperialism, is to hasten the advent of swaraj.

INTERNATIONALISM

There is need for adapting socialism to Indian requirements. At present the socialist movement in India borrows from European socialism both its intellectual content and its tactics.

The present writer has participated in socialist meetings in which the Soviet flag was duly hoisted and the 'International' duly sung. The Soviet flag is the symbol of the struggle of the international proletariat against the international bourgeoisie. What have Indian peasants and workers to do with this struggle? Why shouldn't Indian socialism have a flag of its own? The 'International' is sometimes sung in music which is neither Eastern nor Western, and the effect produced is ludicrous in the extreme.

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It will be said that socialism is international in its outlook because it stands for the brotherhood of peasants and workers of the world. We have no use for this socialism.

Internationalism in a free country may have some meaning, in a dependent country it only excites ridicule.

We think in terms of castes and communities, and now we are required to think internationally ! Is this not too big a jump ? We might prepare for the jump, if it would land us right in the middle of swaraj. But it lands us now here, we remain suspended in the vacuum of empty phrases.

There is a philosophy behind internationalism. The socialist believes in class war. He fights the bourgeoisie every where, he is a friend of the proletariat in every country. He has therefore no country of his own.

Nationalism is founded on the recognition of the universal struggle for existence and survival of the fittest. The nationalist believes in national survival, not class-survival. He therefore seeks to harmonise conflicting class interests in order to make his nation and country strong and great, and 'fit' in the evolutionary sense.

Here are two rival conceptions. Which of the two represents sense ?

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yes, of the deeds of your own generation. Forget the fourteen years of ruin. Arise and make two thousand years of German history."

India has no ambition to make history in the fascist sense. But we have also a past of which we are not ashamed. We wish to be masters in our own house, and to work out our destiny unhampered and free. Is there any reason why the sentiment of nationality, one of the most potent of political forces, should not be utilised to wean the masses from caste and communalism and to build up an Indian nation?

PRACTICAL ISSUE

The practical issue before the country is not the form of the socialist State but *swaraj*.

All controversy about the form of the socialist State is futile. How will the State persuade *rayat-wari* and peasant proprietors to accept a system of land cultivation which ensures progress? I do not know. Will the State take possession of all factories, tools, implements and other apparatus of production, completely suppress all freedom of individual initiative and enterprise, nationalise all banks and institutions concerned with exchange, and abolish money?¹⁶ Again

¹⁶ The experience of Soviet Russia and present-day tendencies there suggest criticism in advocating complete socialisation of all institutions concerned with production, exchange and distribution. Another relevant consideration is the extent of corruption in Government departments which is extremely depressing. Hand over any industry, producing

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